



Financial Condition Report

London General Insurance Company Limited
Switzerland Branch

Year ended 31 December 2021

Financial Condition Report for LGI Switzerland

For the year ended 31 December 2021



Introduction

This 2021 Financial Condition Report (FCR) has been prepared for the Swiss branch of London General Insurance Company Limited (referred to in this document as “LGI Switzerland”) in accordance with FINMA Circular 2016/2 “Disclosure - insurers”.

The FCR contains the narrative disclosures necessary to comply with marginal notes 12 to 34 incl. of FINMA Circular 2016/2, in particular marginal note 17, which sets out those provisions which do not apply to insurers domiciled outside Switzerland.

Further information

London General Insurance Company Limited (“LGI” or “the Company”) is a UK incorporated non-life insurer and is regulated by the Prudential Regulation Authority and the Financial Conduct Authority in the UK. The Company’s immediate parent is TWG Europe Limited, an insurance holding company incorporated in the UK and this is the level at which group supervision is applied under Solvency II.

This FCR is also included as an appendix to the single group Solvency and Financial Condition Report (SFCR) for TWG Europe Limited (TWGE). Due to differences in regulatory reporting deadlines, this FCR will be published after the TWGE Group Solvency & Financial Condition Report which will be published on or before 8 April 2022 and provides further information on the Company and TWGE group (TWGE and its subsidiaries).

Approval of the Financial Condition Report

This FCR was reviewed by LGI’s Audit, Risk & Compliance Committee and then approved by the Board.

Natalie Paddock, Company Secretary

TWENTY Kingston Road, Kingston Road, Staines-upon-Thames, Surrey, TW18 4LG

General Representative’s statement in respect of the FCR

In accordance with the meaning of FINMA Circular 2016/2 “Disclosure - insurers”, marginal note 105 and in my capacity as General Representative for Switzerland I acknowledge my responsibility for preparing the FCR as at 31 December 2021 and sign off the FCR.

Lyne Bergeron, General Representative for London General Insurance Company Limited, à Staines-upon-Thames, succursale de Vevey (Suisse)

Groupe Mutuel Services S.A., Passage Saint-Antoine 7, 1800 Vevey, Suisse

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Summary

This Financial Condition Report (FCR) is in respect of London General Insurance Company Limited, à Staines-upon-Thames, succursale de Vevey (Suisse) - the Swiss branch of London General Insurance Company Limited (“LGI” or “the Company”). In this document the branch is referred to as “LGI Switzerland”.

LGI Switzerland was established on 17th May 2002 as a branch of the Company and received approval to underwrite class B9 Other damage to property. The branch is not a separate regulated legal insurance company entity thus forms part of the Company, which retains full responsibility for all aspects of the branch. LGI Switzerland received authorisation by FINMA in 2011 to conduct insurance business in class B16 Pecuniary loss.

Business Activities

There has been no material change in the Company strategy or of the activities of LGI Switzerland in the year. At the end of 2021 the branch ceased to manage automotive and computer warranties. The only existing policies relate to hearing aid insurance with terms up to five years for which no new policies have been issued since January 2020.

Performance

Performance for the year is in line with expectations. A significant proportion of LGI Switzerland’s business is in run-off.

Net investment returns reflected the continued negative interest environment.

CHF ‘000	2021	2020
Gross written premiums	-	16
Net earned premiums	138	164
Underwriting result including changes in Security & Fluctuation Provision	123	3,727
Net investment return	(45)	(57)

Further detail is provided in section B.

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A. Business Activities

Strategy, objectives and key business segments

At a high level, the strategic goal of the Company is to drive profitable, sustainable growth to achieve company objectives.

Our corporate strategy includes growth through innovative product design, entry into new markets, and leveraging our global market intelligence. A conservative, disciplined underwriting approach and experienced management team are key elements that distinguish us in the marketplace.

Within that strategy the objective of LGI Switzerland is to provide a platform whereby Automotive and Appliance & Technology (A&T) warranty business may be underwritten in Switzerland including when such business arises as part of a client's global distribution strategy. Currently, two of the previously underwritten schemes are in run-off and there is only one source of live business. The branch continues to service the existing portfolio of in-force policies whilst further opportunities to undertake new business are sought.

LGI Switzerland is authorised and regulated by the Autorité Fédérale de Surveillance des Marchés Financiers (FINMA) in classes B9 (Other damage to property/ autres dommages aux biens) and B16 (Pecuniary loss / pertes pécuniaires diverses) which are its two key segments.

Information by segment is provided in the "Performance Non-Life Solo" template included in Appendix 1 to this FCR.

Group structure, major shareholders and major branches

LGI Switzerland is a branch operation of LGI, with its branch office located at:

c/o Groupe Mutuel Services S.A.
Passage Saint-Antoine 7
1800 Vevey
Suisse

LGI (company number 01865673) is based in the United Kingdom and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). LGI's immediate parent, and 100% shareholder, is TWG Europe Limited and its ultimate parent is Assurant, Inc.

External auditors

LGI Switzerland has appointed Deloitte Switzerland for external audit purposes. Deloitte is also the Assurant Europe group external auditor.

Deloitte AG
Mr Frédéric Kocher
Pfingstweidstrasse 11, 8005 Zürich

Significant unusual events

Nothing specific to report.

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B. Performance

B.1 Underwriting performance

The overall underwriting result is summarised below:

Year ended 31 December 2021 CHF '000	Fire, natural hazards, property damage	Other	Total
Gross written premiums	-	-	-
Net earned premiums	-	138	138
Net incurred claims	282	(295)	(13)
Acquisition costs and other expenses	(2)	-	(2)
Underwriting result	280	(157)	123

Year ended 31 December 2020 CHF '000	Fire, natural hazards, property damage	Other	Total
Gross written premiums	-	16	16
Net earned premiums	2	162	164
Net incurred claims	(260)	3,832	3,572
Acquisition costs and other expenses	-	(9)	(9)
Underwriting result	(258)	3,985	3,727

Gross written premiums are in line with prior year.

The branch underwriting result was a profit of CHF123,000 (2020: CHF3,727,000), including changes in the Security & Fluctuation Provision. The security and fluctuation provision has been calculated according to the branch's policy.

B.2 Investment income and expenses

LGI Switzerland is required to maintain Tied Assets in Switzerland to collateralise its liabilities from its Swiss insurance business. This is performed in accordance with Swiss insurance supervisory law, including FINMA Circular 2016/5 "Investment Guidelines - insurers".

Tied assets are held in Swiss government bonds and liquid assets. Although the liquid assets exceed the 5% threshold set by FINMA, the coverage ratio is above 100%.

The overall investment result is summarised below:

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Year ended 31 December 2021 CHF '000	Government Bonds	Collective Investment Schemes	Total
Investment income	34	-	34
Investment expenses	(80)	-	(80)
Net investment income	(45)	-	(45)

Year ended 31 December 2020 CHF '000	Government Bonds	Collective Investment Schemes	Total
Investment income	163	23	186
Investment expenses	(159)	(84)	(243)
Net investment income	4	(61)	(57)

The investment environment remained difficult in the course of 2021.

B.3 Performance of other activities

There is no material information relating to performance of other activities in the year or previous year.

There is no income or expense recognised directly in equity.

B.4 Other information

There is no other material information to report.

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Appendix 2 - LGI Switzerland Management Report

London General Insurance Company Limited - Switzerland Branch

MANAGEMENT REPORT

This report covers the activities of the Swiss branch of London General Insurance Company Limited (the "branch"). London General Insurance Company Limited (the "company") is registered in the United Kingdom with its registered office at:

TWENTY Kingston Road,
Kingston Road,
Staines-upon-Thames,
Surrey,
TW18 4LG,
United Kingdom.

Management presents its report and financial statements for the branch for the year ended 31 December 2021.

RESULTS

For 2021, gross written premiums were CHF 0 (2020: CHF 16k), with a pre-tax loss of CHF 96k (2020: profit CHF 3'411k).

PRINCIPAL ACTIVITIES

The branch services policies that were written in prior years. In-force policies relate to one client and cover the repair and replacement of hearing appliances. Remaining in-force policies are due to expire up to 2024.

BUSINESS PERFORMANCE REVIEW

The branch's key financial performance indicators are as follows:

	2021	2020	Change
	CHF'000	CHF'000	%
Gross written premiums	-	16	-100%
Earned premiums, net of reinsurance	138	164	-16%
Net claims incurred	13	50	-73%
Underwriting result (before change in security and fluctuation provision)	123	105	+17%
Net investment income	(45)	(57)	-21%
Other (expense)/income	175	259	-33%
Balance sheet			
Technical Reserves	1'677	1'822	-8%
Capital Account	2'208	1'718	+28%

The security and fluctuation provision has been calculated according to the branch's policy.

ACCOUNTING POLICIES

- **Investments**
Long Term Bonds are stated at amortised cost.
- **Technical Reserves**
Technical Reserves are stated in accordance with the company reserving policy which was approved by FINMA.

RISK ASSESSMENT

The branch maintains its own governance handbook, internal control system (ICS) policy and ICS matrix which identifies and documents the key risks to which the branch is exposed, the mitigating controls in place and effectiveness of those controls. These risks and controls are maintained by the Company's Risk function and reviewed and approved by the branch's management and the Company's board of directors annually. In addition the business of the branch is included in the wider Company and group risk management systems in a manner proportionate to the overall risk presented.

The principal risks facing the branch are:

- Risk of adverse movements in the actual development of claims versus the provisions held. The Actuarial Reserving Policy governs activities undertaken by the Company's Actuarial Reserving team with actuarial reserving responsibility for the Branch assigned to local Appointed Actuary (approved by FINMA).
- Risk of loss or of adverse change in the branch's financial position resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets in its investment portfolio. The Investment Policy governs investment activities, together with Company corporate policies, with specific criteria to meet branch and FINMA requirements. Management of the portfolio is outsourced to professional fund managers.

Other risks facing the branch arise principally from operational process including failure to comply with local regulatory and legal requirements, management of which is covered in the governance handbook and ICS policy.

NUMBER OF FULL-TIME POSITIONS ON ANNUAL AVERAGE

The branch did not have any employees in 2021 and 2020.

RESEARCH AND DEVELOPMENT

The branch has not undertaken any research and development activities during the year.

EXTRAORDINARY EVENTS

There were no extraordinary events in 2021.

FUTURE DEVELOPMENTS

Assurant group and the Company continue to write global programs, some of which may comprise Swiss located risks from time to time.

SUBSEQUENT EVENTS

There have been no material events after the reporting date that would affect the interpretation of the financial statements or the performance of the branch.

In the course of February 2022, the Russian Federation invaded Ukraine, which triggered the start of a period of global economic uncertainty and the establishment of new sanctions against the Russian Federation and Belarus. Given the limited activities of the branch it has no exposure to the countries concerned nor is it impacted by sanctions. The investment portfolio of the branch only holds Swiss Government bonds and cash at Swiss banks. No impact on the valuation of these assets out of this event is foreseen.