



Financial Condition Report

London General Insurance Company Limited
Switzerland Branch

Year ended 31 December 2020

Financial Condition Report for LGI Switzerland

For the year ended 31 December 2020



Introduction

This 2020 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.

The TWG Europe Limited single group Solvency and Financial Condition Report (SFCR) will be available from 29th April 2021 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 2020 and sign off the FCR.

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

Swiss Risk & Care S.A., Passage Saint-Antoine 7, 1800 Vevey, Suisse

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Summary

This Financial Condition Report (FCR) is in respect of the London General Insurance Company Limited, á 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 in 2004 to underwrite class B9 Other damage of 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 losses.

Business Activities

There has been no material change in the Company strategy or of the activities of LGI Switzerland in the year. The branch continues to manage automotive warranties, and consumer electronics warranties.

The Company has completed its preparations through 2020 for the impact of Brexit on its EU business. TWG Europe Limited successfully established new insurers in the Netherlands to underwrite EU business following the Brexit date. The business activity of LGI Switzerland has not been affected during the year.

Further detail is provided in section A.

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	2020	2019
Gross written premiums	16	231
Net earned premiums	164	602
Underwriting result including changes in Security & Fluctuation Provision	3,727	176
Net investment return	(57)	136

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.

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 (miscellaneous financial 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 Swiss Risk & Care 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 PwC Switzerland for external audit purposes. PwC is also the Assurant group external auditor.

PricewaterhouseCoopers AG
Mr Michael Stämpfli
Birchstrasse 160 Postfach 8050 Zurich

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Significant unusual events

UK's Exit from the EU "Brexit".

The Company's group has successfully established new non-life and new life insurers in the Netherlands regulated by the DNB, through which all future EU (i.e. not UK or Swiss) business shall be written. There is no expected impact on the business currently underwritten through LGI Switzerland.

B. Performance

B.1 Underwriting performance

The overall underwriting result is summarised below:

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

Year ended 31 December 2019 CHF '000	Fire, natural hazards, property damage	Other	Total
Gross written premiums	-	231	231
Net earned premiums	15	587	602
Net incurred claims	46	(337)	(291)
Acquisition costs and other expenses	-	(135)	(135)
Underwriting result	61	115	176

Gross written premiums are in line expectations.

The branch underwriting result was a profit of CHF3,727,000 (2019: CHF176,000), including changes in the Security & Fluctuation Provision. The security and fluctuation provision has been calculated according to the branch's Reserving policy approved by FINMA.

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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 collective investment vehicles (investing in corporate bonds and not equities).

This is a conservative investment strategy which is in line with the wider Company investment approach and based on the security of the underlying assets.

In July 2020, London General Insurance Company Limited Switzerland Branch liquidated all Collective Investment schemes and repatriated CHF10,000,000 to the London General Insurance UK head office, this results in a reduction of net investment income in 2020.

The overall investment result is summarised below:

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)

Year ended 31 December 2019 CHF '000	Government Bonds	Collective Investment Schemes	Total
Investment income	151	194	345
Investment expenses	(48)	(161)	(209)
Net investment income	103	33	136

The investment environment remained difficult in the course of 2020.

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

The 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
Staines upon Thames
Surrey
TW18 4LG
United Kingdom

Management presents its report and financial statements for the branch for the year ended 31 December 2020.

RESULTS

For 2020, general business premiums written were CHF 15,644 (2019: CHF 231,413), with a pre tax profit of CHF 3,411,912 (2019: CHF 48,044).

PRINCIPAL ACTIVITIES

Business underwritten in 2020 was related to one client that covers loss arising from the repair and replacement of hearing appliances. A few of the policies expired in 2020 while remaining in-force policies are due to expire in 2024. The branch will continue to service existing portfolio of in-force policies in the future.

The company operated throughout Europe, through branch operations or through freedom of services arrangements. During 2020 the company operated through branch establishments in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Poland, Spain, and Switzerland. In response to UK's exits from the European Union (Brexit), on 2 November 2020 the Company transferred all of its EU related business to an affiliate undertaking in Netherlands, Assurant Europe Insurance N.V. under a court sanctioned legal transfer process (Part VII). The Company plans to close its branches in 2021, except for the Swiss branch.

BUSINESS PERFORMANCE REVIEW

The branch's key financial performance indicators during the year were as follows:

	2020 CHF'000	2019 CHF'000	Change %
Gross premiums written	16	231	-93%
Earned premiums, net of reinsurance	164	602	-73%
Net Claims Incurred	50	114	-56%
Underwriting Result	105	353	-70%
Expenses	306	272	+12%
Investment income	57	330	-83%
Balance sheet			
Technical Reserves	1,822	5,602	-67%
Capital Account	1,718	9,966	-83%

2020 Gross written premiums are related to one client, as in 2019.

The fluctuation provision has been calculated according to the branch's policy as approved by FINMA. The significant decrease in the balance sheet technical provisions is mostly due to reduction in security and fluctuation provision of CHF 3,622,658 as result of change in reserving policy that was approved by FINMA in 2020.

ACCOUNTING POLICIES

- **Investments**
Long Term Bonds are stated at amortised cost as required under Swiss accounting rules. Stocks and Shares are stated at market value.
- **Technical Reserves**
Technical Reserves are stated in accordance with the company policy which was submitted to 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 at least 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 unearned premium reserves, claims provisions and security and fluctuation provisions. 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
- 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 2020 or 2019.

RESEARCH AND DEVELOPMENT

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

EXTRAORDINARY EVENTS

There were no extraordinary events in 2020.

FUTURE DEVELOPMENTS

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