the warranty group

TWG Europe

Single Group Solvency & Financial Condition Report

Year-end 31st December 2017

Approved by the Board: 13th June 2018

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 Ltd (LGI) and London General Life Company Ltd (LGL). The 'TWG Europe' Group (TWGE) also includes TWG Services Limited (TWGSL), which is the 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 report (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 2017 or year-end 2016.

Quick Glance Performance, Solvency and Financial Condition

Key Performance Indicator (£'000's)	TWG Europe		LGI		LGL	
	2017	2016	2017	2016	2017	2016
Net Underwriting Margin[1]	9,941	10,613	8,044	10,049	1,896	564
Total Investment Return	1,320	5,264	1,329	5,133	(16)	119
Solvency Ratio	141%	127%	141%	126%	138%	122%

In summary, key highlights/changes for 2017 are:

- Rich Green was appointed as CEO in early 2017. The previous CEO, Gary Jennison, left TWG Europe.
- TWG Europe obtaining regulatory approval to use a USP for calculation of its Solvency Capital Requirement (SCR) with a waiver dated 14 March 2017 published on the FCA register
- Placement of a catastrophe excess of loss reinsurance for our Guaranteed Asset Protection (GAP) book of business
- Following the publication of the SFCR, a review of the Delegated Acts, Annex III section 6 identified that a firm such as LGI applying a premium risk USP cannot take credit for geographical diversification in the SCR. The original SFCR allowed for such geographical diversification which was removed in a revised SFCR published during October 2017.
- On 31 May 2018, Assurant, Inc. completed its acquisition of The Warranty Group. This is not considered any further within the SFCR.
- The 2017 solvency ratio improved compared to 2016 mainly due reduced business volumes (as shown in section E2). There was also a smaller benefit from the Undertaking Specific Parameter (USP) being updated in 2017.
- Solid financial performance in 2017 despite a reduction in year on year investment return resulting from the adverse impact of unrealised losses
- Significant improvement in the solvency ratio
- Following completion of LGI's year end 2017 solvency 2 returns, TWGE's Board approved a 2017 dividend of £20m from LGI which is reflected as a foreseeable dividend in this SFCR.

Business and Performance

TWG Europe[2] 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.

Approximately 70% 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

[2] On 18th October 2017, Assurant, Inc. and The Warranty Group entered into a definitive agreement to combine operations. This transaction completed on 31 May 2018.

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 through 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 2017, with TWG Europe, LGI and LGL recording positive underwriting profits at levels comparable to 2016. The business continues to invest in growth initiatives and in developing its technology platforms to support its growth agenda. The statutory reported profit on ordinary activities before tax for TWG Europe in 2017 is £7.6m.

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 and is included as an appendix in this SFCR.

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;
- 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.

This section of the report considers the material risk to which the Group is exposed, reflecting current exposures and profile, relevant monitoring and sensitivities, concentrations (where relevant) and mitigation. The table below gives a quantitative breakdown of the undiversified risks components of the Solvency Capital Requirement (SCR)[3]:

[3] 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.

Components of the SCR (undiversified) (£'000's)	TWG Europe		LGI		LGL	
	2017	2016	2017	2016	2017	2016
Non-life underwriting risk (Insurance risk)	58,301	82,068	58,301	82,068	-	-
Health Underwriting risk (Insurance Risk)	6,829	5,727	6,672	5,630	34	65
Life Underwriting risk (Insurance Risk)	602	639	-	-	598	636
Market Risk	12,701	11,658	12,041	10,704	1,012	1,081
Counterparty default risk	8,298	8,435	6,060	5,618	143	103
Operational risk	6,071	6,503	5,802	6,265	268	238

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 2017 and 2016. Likewise, market risk remains the second largest component at both year ends.

The non-life underwriting risk has reduced between 2017 and 2016 reflecting a reduction in future business plan volumes during 2017.

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 UKGAAP and Solvency II balance sheet is the change in basis valuation from UKGAAP reserves to best estimate and risk margin valuations (Technical Provisions). Valuation of other assets and liabilities broadly aligns to the valuation principles of UKGAAP.

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 2017. 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		LGI		LGL	
	2017	2016	2017	2016	2017	2016
Capital Requirement	74,356	97,393	72,333	95,086	3,251	3,332
Eligible Own Funds (on basis to meet requirement)	104,797	124,030	101,768	119,627	4,490	4,062
Solvency Ratio	141%	127%	141%	126%	138%	122%

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	101,041	-	3,757	**104,797**	101,041	-	-	**101,041**
LGI	100,143	-	1,626	**101,768**	100,143	-	-	**100,143**
LGL	4,490	-	244	**4,734**	4,490	-	-	**4,490**

LGI and LGL continue to have a financial strength rating from AM Best of A-.

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

- During 2016, the outward quota share reinsurance was secured and 2017 was the first full year where LGI had exposure to the quota share. This has resulted in a reduction in Own Funds and a reduction in the SCR for the sharing of risk secured.
- The USP was approved by the PRA in March 2017. The waiver was published on the PRA website.
- The SFCR was re-submitted in late 2017. Following initial publication of the SFCR, a review of the Delegated Acts, Annex III section 6 identified that a firm such as LGI applying a premium risk USP cannot take credit for

geographical diversification in the SCR. The original SFCR allowed for such geographical diversification and this was removed in the revised SFCR.

- During the period, LGI entered into an outward reinsurance Gap Catastrophe treaty reinsurance with an affiliated company. The treaty incepted on 1st January 2018

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

Material Emerging Risks

The key emerging risk currently being managed and monitored closely by TWG Europe is Brexit. Inherently this risk is significant to TWG Europe, as a European insurance group, which relies on passporting rights within the EU to conduct business. This risk is closely controlled with a dedicated Brexit project team whose primary objective is to ensure that TWG Europe can continue to conduct and service its core business in its current territories of operation.

Regulatory change as a category remains an emerging risk for the group, with regulation such as the General Data Protection Regulation (GDPR) and the Insurance Distribution Directive (IDD) all being finalised by law and regulation. TWG Europe has ongoing work streams and projects to ensure that policies, process and controls continue to be suitable or are enhanced where appropriate.

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.

James Insley
Director

14th June 2018

A. Business and Performance

A.1. Business profile

The Warranty Group/TWG is the brand name of our global business. 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.

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

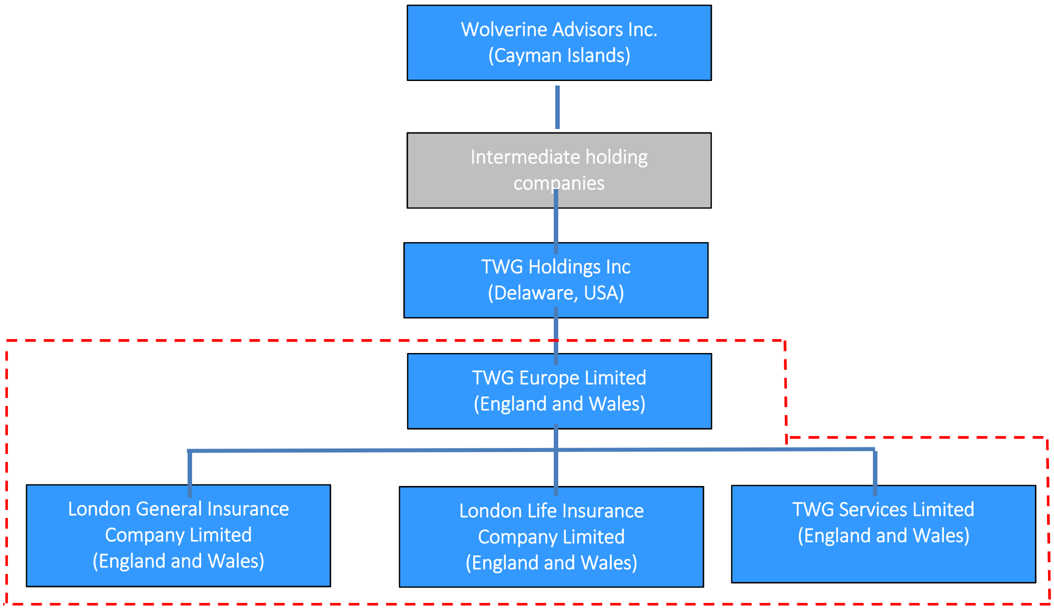
- Motor Warranty including Guaranteed Asset Protection (GAP) and ancillary insurances;
- Appliance & Technology including warranty, theft and accidental damage; and,
- Creditor including unemployment, accident and life which is largely in run-off.

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 through 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.

A simplified corporate structure is displayed below, with corporate registered locations identified in bracket. Note that this structure is as at 31 December 2017 and does not take into account the recent acquisition of TWG Europe by Assurant Inc.



All entities within the red dashed lines are considered with this SFCR.

All the above-mentioned companies are private companies limited by shares. Prior to the acquisition of The Warranty Group by Assurant Inc.; the ultimate holding company was Wolverine Advisors Inc. which is incorporated in the Cayman Islands. This was also the parent undertaking of the largest group of undertakings of which the Company is a member. The Company was the parent undertaking of TWG Europe Group and was ultimately owned by private shareholders. The exact structure of The Warranty Group post acquisition has yet to be formally announced.

There were no holders of qualifying holdings in the Company as at 31 December 2017. A 'qualifying holding' is defined as a direct or indirect holding in the group which represents 10% or more of the capital or voting rights or which makes it possible to exercise significant influence over the management of the group.

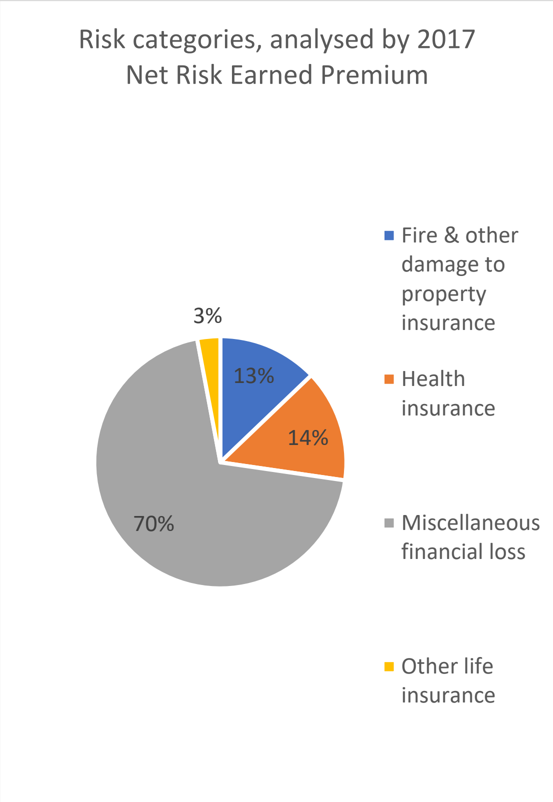
LGI and LGL are authorised by the Prudential Regulatory Authority[4](PRA) and are dual regulated by the Financial Conduct Authority[5] (FCA) and the PRA. TWGSL is authorised and regulated by the FCA only. Each entity has branches across Europe to conduct business. TWG Holdings Inc is regulated by the Delaware Department of Insurance[6].

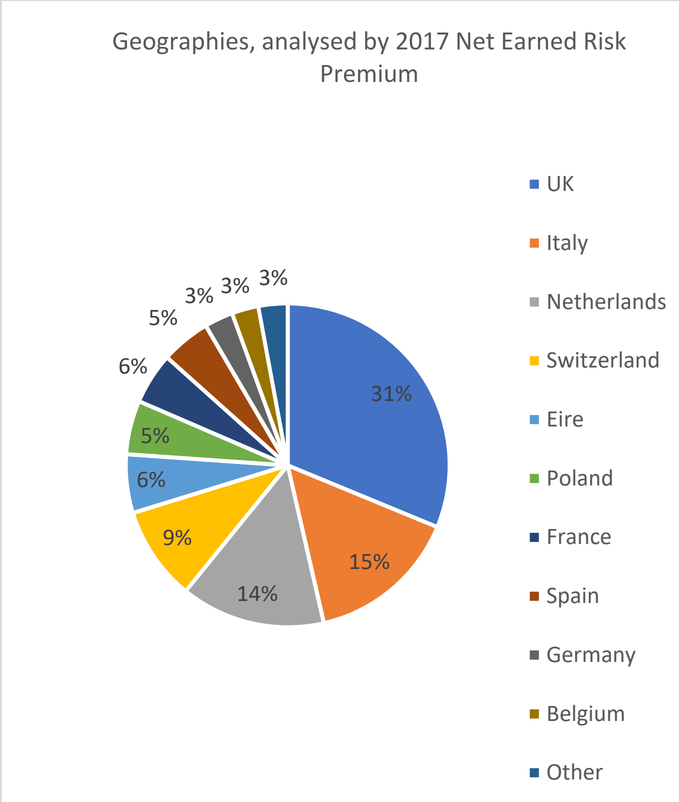
TWG Europe, LGI, LGL and TWGSL Head Offices are in Staines, UK, with additional offices in:

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

TWG Europe took a business decision to close its Polish branch during 2017. TWG Europe still writes a negligible amount of motor warranty business in Poland.

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





The above charts show the following:

- Miscellaneous financial loss remains the dominant Solvency II class of business. This is unchanged from previously (the corresponding percentage was 69% as at year end 2016).

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[4] 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.

[5] 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.

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

- Non-UK, EEA territories are where the bulk of business is written by TWG Europe. Again, this is unchanged from previously (the corresponding percentage was 68% of business written in non-UK EEA countries as at year end 2016).

Ernst & Young LLP (EY) has been appointed as the statutory auditor to the Group and solo entities of the Group. Contact details for the Audit firm are: EY, 25 Churchill Place, London, E14 5EY, United Kingdom.

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 doesn't 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 (31st December 2017 or through 2017).

This report details the Group's position as at 31st December 2017 as supplemented by the Notice issued by the Prudential Regulation Authority dated 14th March 2017 relating to Undertaking Specific Parameters.

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*

TWG Europe's underwriting performance remains strong, with positive contribution[7] from all entities and all functional lines of business in 2017. In terms of Solvency II line of business, miscellaneous financial loss remained the dominant class of business at both group and LGI levels. Fire and other damage to property made a smaller negative profit compared to the prior year loss.

Performance of Insurance activity was below plan. Below details the underwriting performance by Solvency II line of business and by geographical split:

TWG Europe - Underwriting Performance (£'000's)	Fire and other damage to property insurance		Miscellaneous financial loss		Health Insurance		Other life insurance		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net Premium Written	10,974	5,761	62,215	48,821	11,388	9,914	5,484	4,907	90,062	69,404
Net Premium Earned	12,720	15,598	88,202	96,435	14,846	18,265	6,550	5,474	122,318	135,772
Net Claims Incurred	6,073	8,442	26,524	27,666	7,079	7,662	658	919	40,333	44,689
Expenses Incurred	8,112	9,532	52,571	57,086	7,325	9,703	4,036	4,148	72,044	80,470
Net Underwriting Performance	**(1,464)**	**(2,376)**	**9,107**	**11,682**	**442**	**900**	**1,856**	**406**	**9,941**	**10,613**

[7] Contribution = Net Earned Risk Premium – Net Claims Incurred

TWG Europe - Underwriting Performance - Fire and other damage to property and Miscellaneous Financial loss (£'000's)	United Kingdom		Poland		Italy		Germany		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net Premium Written	36,650	35,306	9,739	2,697	8,051	2,998	5,728	4,923	13,021	8,658	73,189	54,582
Net Premium Earned	46,441	51,131	12,315	15,567	14,576	12,293	3,182	2,568	24,408	30,474	100,922	112,033
Net Claims Incurred	11,169	14,191	2,246	6,972	5,940	2,354	1,703	689	11,539	11,902	32,597	36,108
Expenses Incurred	32,809	30,404	9,800	9,257	6,735	7,310	1,888	1,527	9,451	18,121	60,683	66,619
Net Underwriting Performance	**2,463**	**6,535**	**269**	**(662)**	**1,902**	**2,629**	**(409)**	**352**	**3,418**	**451**	**7,643**	**9,306**

TWG Europe - Underwriting Performance - Health and Life (£'000's)	United Kingdom		Netherlands		Ireland		Belgium		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net Premium Written	1,539	1,644	3,377	7,766	3,777	4,113	7,914	919	267	380	16,873	14,822
Net Premium Earned	1,615	1,749	12,707	15,027	3,965	4,728	3,221	1,220	(112)	1,014	21,396	23,739
Net Claims Incurred	793	561	6,630	6,521	568	1,135	194	388	(449)	(23)	7,737	8,581
Expenses Incurred	859	976	5,160	9,003	1,945	2,530	2,781	664	615	678	11,361	13,852
Net Underwriting Performance	**(37)**	**212**	**916**	**(497)**	**1,452**	**1,063**	**246**	**169**	**(279)**	**360**	**2,299**	**1,307**

For TWG Europe we can make the following observations:

- Fire and damage to other property insurance remains loss making, although the loss incurred is lower in 2017 compared to 2016. This reflects tight underwriting margins in the associated product classes.
- The net underwriting performance result for Miscellaneous Financial loss was lower in 2017 compared to 2016 mainly driven by business volumes.
- The net underwriting performance result for Other Life insurance business improved significantly because of profitability in the creditor business that this represents.
- Overall net underwriting performance results were reduced by circa £700k reflecting run off in core portfolios
- We have closed our Poland offices and expect the results from this region to reduce going forward.
- We have increased net written premiums in Italy because of growth in European motor business.
- Overall the bulk of TWGE's risks continue to be under-written in non-UK, EEA countries.

LGI Europe - Underwriting Performance (£'000's)	Fire and other damage to property insurance		Miscellaneous financial loss		Health Insurance		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Net Premium Written	10,974	5,761	62,215	48,821	11,385	9,986	84,575	64,568
Net Premium Earned	12,720	15,598	88,202	96,435	14,703	17,821	115,625	129,854
Net Claims Incurred	6,073	8,442	26,524	27,666	7,070	7,534	39,667	43,642
Expenses Incurred	8,112	9,532	52,571	57,086	7,232	9,545	67,914	76,163
Net Underwriting Performance	**(1,465)**	**(2,376)**	**9,107**	**11,682**	**401**	**743**	**8,044**	**10,049**

LGI Europe - Underwriting Performance - Fire and other damage to property and Miscellaneous Financial loss (£'000's)	United Kingdom		Poland		Italy		Germany		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net Premium Written	36,650	35,306	9,739	2,697	8,051	2,998	5,728	4,923	13,021	8,658	73,189	54,582
Net Premium Earned	46,441	51,131	12,315	15,567	14,576	12,293	3,182	2,568	24,408	30,474	100,922	112,033
Net Claims Incurred	11,169	14,191	2,246	6,972	5,940	2,354	1,703	689	11,539	11,902	32,597	36,108
Expenses Incurred	32,809	30,404	9,800	9,257	6,735	7,310	1,888	1,527	9,451	18,121	60,683	66,619
Net Underwriting Performance	2,463	6,535	269	(662)	1,901	2,629	(409)	352	3,418	451	7,643	9,306

LGI Europe - Underwriting Performance - Health (£'000's)	United Kingdom		Netherlands		Ireland		Belgium		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net Premium Written	1,481	1,585	5,072	3,431	3,402	3,792	1,295	855	136	323	11,385	9,986
Net Premium Earned	1,480	1,566	9,083	10,669	3,436	3,887	951	1,156	(246)	544	14,703	17,821
Net Claims Incurred	783	559	6,289	5,556	526	1,063	(75)	388	(452)	(31)	7,070	7,534
Expenses Incurred	793	839	3,522	5,714	1,603	2,082	789	619	524	291	7,232	9,545
Net Underwriting Performance	(96)	168	(729)	(601)	1,307	743	237	149	(318)	284	401	743

- 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 Europe - Underwriting Performance (£'000's)	Health Insurance		Other Life Insurance		Total	
	2017	2016	2017	2016	2017	2016
Net Premium Written	3	(72)	5,484	4,907	5,487	4,835
Net Premium Earned	143	444	6,550	5,474	6,693	5,918
Net Claims Incurred	9	128	658	919	667	1,047
Expenses Incurred	94	159	4,036	4,148	4,130	4,307
Net Underwriting Performance	40	157	1,856	406	1,896	564

LGL Europe - Underwriting Performance 2017 - Health and Life (£'000's)	United Kingdom		Belgium		Ireland		Spain		Netherlands		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net Premium Written	58	59	6,619	4,335	375	321	131	64	(1,695)	57	5,487	4,835
Net Premium Earned	136	183	2,270	4,358	529	841	134	64	3,624	471	6,693	5,918
Net Claims Incurred	11	2	269	965	42	72	4	0	341	8	667	1,047
Expenses Incurred	66	137	1,992	3,289	343	449	91	45	1,638	387	4,130	4,307
Net Underwriting Performance	59	44	9	104	144	320	39	19	1,645	76	1,896	564

- Net underwriting performance overall has improved for LGL because of profitable run off of creditor business as noted above.
- 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 performance was below yield in 2016, as historic higher yielding investments mature and are reinvested in lower yielding investments. Unrealised losses in 2017 vs the unrealised gains in 2016 contributed to the reducing overall investment return seen in 2017.

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	
	2017	2016	2017	2016	2017	2016
Total Investment Income	5,608	6,378	5,430	6,114	172	251
Investment Expenses	(265)	(296)	(250)	(276)	(16)	(19)
Realised gains/losses	(2,456)	(2,053)	(2,325)	(1,994)	(131)	(59)
Unrealised gains/losses	(1,567)	1,235	(1,526)	1,289	(41)	(54)
Total Investment Return	**1,320**	**5,264**	**1,329**	**5,133**	**(16)**	**119**

In 2017, investment return reduced by 74.9% from £5.3m to £1.3m. 2017 had unrealised losses compared to gains in 2016 which was due to 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 c2% 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	
	2017	2016	2017	2016	2017	2016
RMBS (Retail Mortgage Backed Security)	854	1,787	854	1,787	-	-
ABS (Asset Backed Security)	3,526	4,118	3,526	4,118	-	-
Total Securitised assets	**4,380**	**5,905**	**4,380**	**5,905**	**-**	**-**

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	
	2017	2016	2017	2016	2017	2016
Net foreign exchange gains/losses	244	1,302	116	1,068	30	102
Administration fees - fellow group undertakings	7,234	6,079	-	-	-	-
Administration fees - third parties	9,824	8,485	-	-	-	-
Other income	4,319	1,937	665	132	-	-
Gain/(loss) on sale of fixed assets	(58)	20	-	-	-	-
Total Other Income	**21,563**	**17,823**	**781**	**1,200**	**30**	**102**

A.5. *Any other information*

Additional administration fees of £790,413 were recouped from The Warranty Group Services (Isle of Man) Limited (a related company within the global group), for administration services provided direct to clients in 2017.

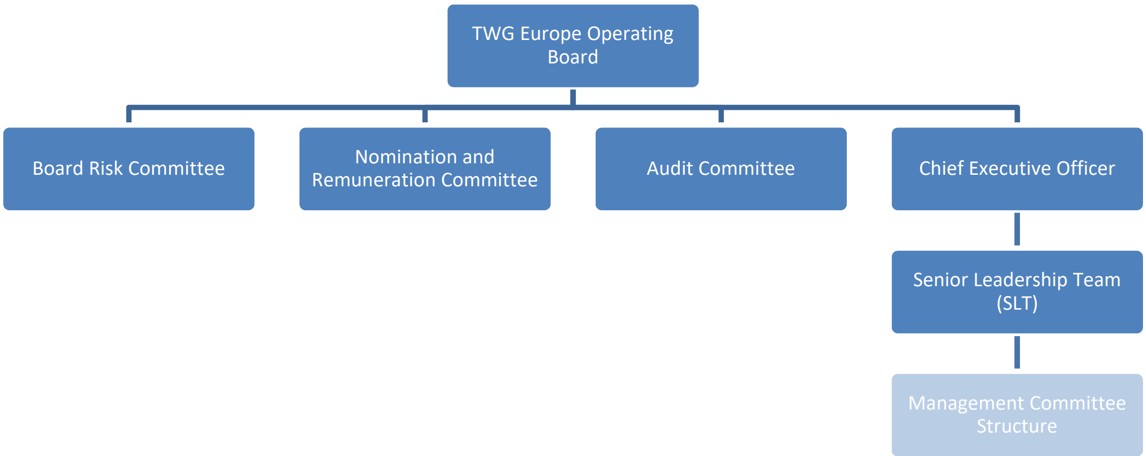
There were no other material income or expenses incurred during 2017.

B. System of Governance

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

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 delegates 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

- 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;
- Rich Green[8] – Chief Executive Officer Europe, Director LGI, LGL, TWG Europe, TWGSL;
- Edward Wagner – Chief Underwriting and Actuarial Officer, The Warranty Group Inc., Director LGI, LGL, TWG Europe, TWGSL; and,
- James Insley – Chief Financial Officer, Europe, Director LGI, LGL, TWG Europe, TWGSL.

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 Edward Wagner James Insley	Geoff Shanks Edward Wagner	Edward Wagner Jane Owen	Jane Owen

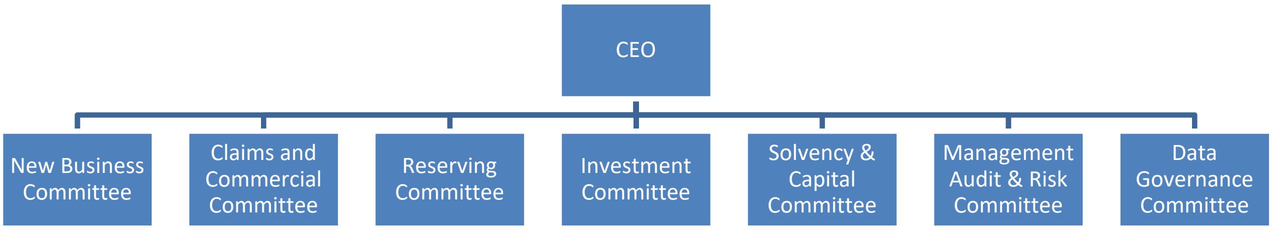
[8] On 7th February 2017, the previous CEO, Mr Gary Jennison left TWG Europe. Rich Green was appointed CEO designate on 14th February 2017, with written approval from the regulator of approval of the appointment received in May 2017.

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.

Changes to the Board in 2017
Apart from the appointment of Rich Green as CEO, all other members of the Board remained unchanged through the period.

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:

- LGI's outward reinsurance program (Gap Catastrophe) was placed with Virginia Surety Company Inc. (VSC), a fellow subsidiary of the parent company of the Group
- Announcement of the acquisition of TWG by Assurant Inc. on 18th October 2017. The acquisition completed inline with plans on 31 May 2018.

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 area 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 focussing 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 "catchall" 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.

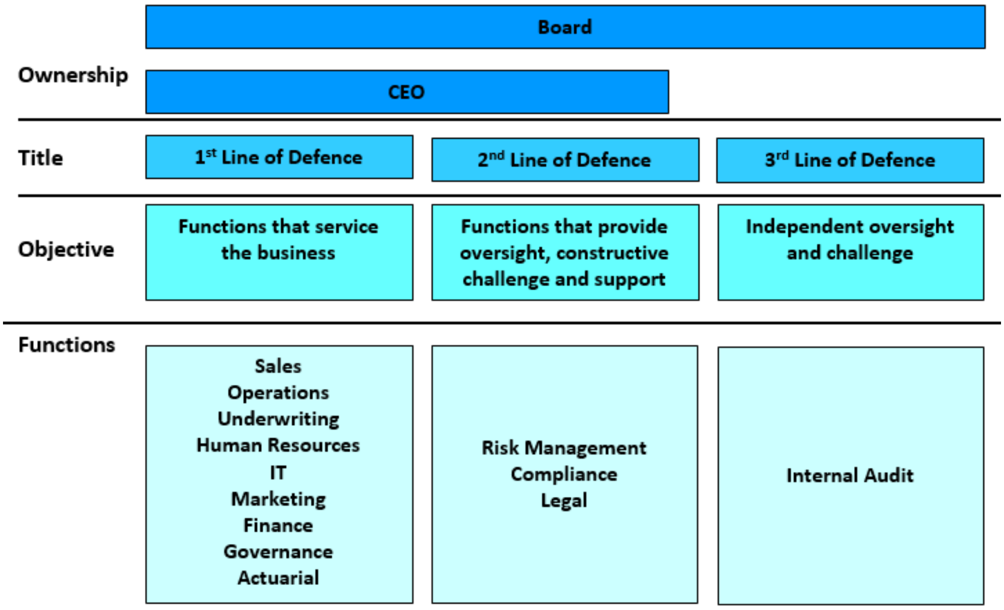
TWG Europe aims to adhere to sound principles of good governance as appropriate to the scope and nature of its business and operations. These principles are set within the framework of:

- the Core Values and over-arching Corporate Policies of the TWG Group
- 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 conduct 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[9])	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 continues 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.

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

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 2017.

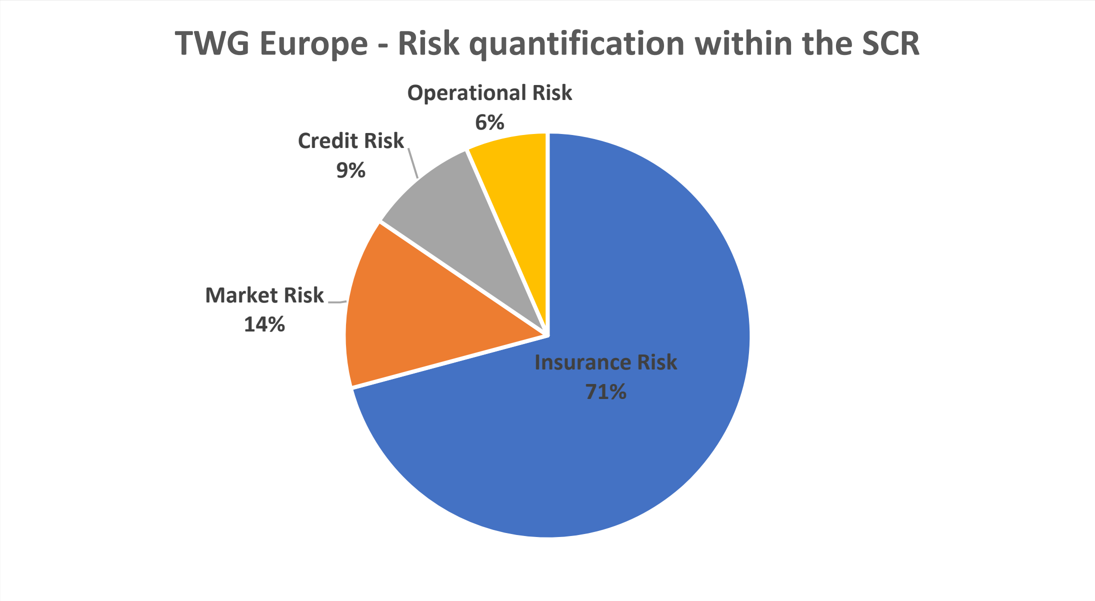
Overall, Management and the Board conclude that the systems, policies and process that are embedded across the business are considered appropriate for the nature, size and scale of TWG Europe's operations.

B.11. ***Other material information***

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

C. Risk Profile

The chart below demonstrates the relative size of the risks to which TWG Europe is exposed[10]. 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.



C.1. *Insurance risk*

Risk description and sub-risks
Insurance 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 2017
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;
- Target loss ratios of 80-90% ensuring some 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.

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 Auto and A&T lines of business, but total quantum is higher. The creditor book constitutes TWGE's largest class from a claim reserve standpoint.

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[10] 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
Concentrations of insurance risk are considered as part of the business planning process, as well as when considering new business deals.

As can be seen in the net earned risk premium pie chart in section *A.1 Business Profile*, the Group's underwriting is focussed and concentrated on miscellaneous financial loss, representing 70% of the business respectively. Volumes in LGL are relatively much lower, with a focus on life business (overall this life business represents 5% of the Group's overall profile, based on net earned premium).

The top client in each business represents 17%, 31% and 50% of the Net Underwriting Margin for TWG Europe, LGI and LGL respectively. The Board and Management review this concentration as part of the strategy setting and business planning process.

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.

As LGI is the material insurance entity within the group, the 20% quota-share on the aforementioned currencies, results in c37% of TWG Europe's underwritten business that is outwardly ceded (based on earned premiums).

From 1st 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 2017

The prudent approach to investments and focus on high quality investments have ensured minimal impact to TWG Europe from any market volatility. The approach to investments and the management of market risk has not materially changed in the period, with an increased focus on appropriate foreign exchange management, driven not only by market volatility but by increased focus on capital management (with the Standard Formula penal 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 2017 is summarised in the table below:

	UK Gilts	Corporate Bond
LGI	24.6%	1.7%
LGL	16.1%	3.9%

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.

The Group has a relatively risk-averse strategy to investments, which is applied to all investments that cover the Minimum Capital Requirement (MCR), Technical Provisions (TPs), Solvency Capital Requirement (SCR) and surplus funds. This means that there are no investments which can fall in value such that they could jeopardise the value of the aggregate investments that support the TPs, MCR and SCR.

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 2017

There has been little change to the credit risk profile during 2017. Many client reinsurance arrangements are running off, leading to reduced exposure, as shown in the table below:

	Net Exposure	
	Year-end 2016	Year-end 2017
LGI	6,063	3,779
LGL	359	134

Exposure is defined as the reinsurers' share of both the unearned premium reserve (UPR) and the current claims reserves.

The above table excludes exposure to VSC; exposure to VSC remains high due to the quota share treaty and Gap Catastrophe treaty.

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 2017
Liquidity risk (both elements described above) rate low in TWG Europe's overall risk profile. 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 BlackRock in a presentation 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 2017
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, 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 initiated 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 includes 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 fulfils 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 processes and controls clearly documented in line with ISO9001 standards for which TWGSL has accredited approval. Risk, Compliance and Internal Audit testing and assurance is predominantly 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 (including Emerging 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 TWGE operate 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.

The key strategic risk that continues to be managed and monitored closely by TWG Europe is Brexit. Inherently this risk is significant to TWG Europe, as a European insurer which relies on passporting rights within the EU to conduct business. This risk is closely controlled with a dedicated Brexit project team whose primary purpose is to ensure that TWG Europe can continue to conduct and service its core business in its current territories of operation.

Regulatory change as a category remains an emerging risk for TWG Europe, with regulation such as the General Data Protection Regulation (GDPR) and the Insurance Distribution Directive (IDD) coming into force in 2018, dedicated project teams were put into place during 2017 to manage the work ongoing within TWG Europe to ensure that policies and process and work outputs are reviewed and updated where appropriate.

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.

At the group level, there are no additional exposures to note. With the vast majority of TWG Europe's business and risks transacted through LGI and minimal, diverse business in LGL, there are no additional concentrations of risk to note at the group level either.

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 only vary 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 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.

Output of the stress testing was a £18.6m loss in equity and £21.9m increase in LGI's SCR (LGI's SCR used as most extreme outcome on this output metric). The outcome of this stress, before any management action or capital mitigation steps, results in an SCR coverage ratio of 136%. 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 action, such as the placement of reinsurance with another reinsurance firm or panel of reinsurers would be progressed before moving onto the other actions of capital remediation, covered in the group's contingency capital management plan.

Sensitivities
Sensitivity testing quantifies how sensitive TWG Europe's 'Own Funds' are to movements in financial and insurance 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 - Impact to Equity (£m)	LGL - Impact to Equity (£m)
Insurance risk	Increase in 1 percentage point to Loss ratio across the business	0.5	0.0
Strategic Risk - New business	Net written premium volumes increase 1% above plan*	0.5	0.0
Financial Risk - FX	Sensitivity to 1 cent movement in GBPEUR rates	0.0	0.0
Financial Risk - Interest rate	10-year GILT increase 100bps	2.1	0.1
Financial Risk - Spread	UK Credit spreads increase 100bps	1.2	0.0

*Increase 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. For each type of sensitivity, the largest example over the previous three years is taken as representative of a "reasonably likely adverse event".

The table shows that LGI is no longer sensitive to movements in currency exchange rates. This is a change from the prior year results, and is due to actions taken over the past year to reduce the surpluses held in non-GBP currencies.

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 2017 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:

	TWGE		LGI		LGL	
	Solvency II	**UKGAAP**	**Solvency II**	**UKGAAP**	**Solvency II**	**UKGAAP**
Assets						
Deferred acquisition costs	-	119,219	-	129,296	-	6,088
Intangible assets	-	5,725	-	65	-	-
Deferred tax assets	4,561	4,561	1,626	1,626	1,048	1,048
Property, plant & equipment held for own use	902	902	17	17	-	-
Investments	242,791	240,510	234,190	231,977	8,601	8,533
Equities	401	410	401	4,623	-	-
Government Bonds	77,498	66,274	74,923	63,731	2,575	2,542
Corporate Bonds	130,250	147,797	126,142	139,510	4,108	4,074
Collateralised securities	4,380	-	4,380	-	-	-
Investment funds	16,362	12,148	14,444	10,231	1,917	1,917
Deposits other than cash equivalents	13,900	13,881	13,900	13,881	-	-
Reinsurance recoverables	26,855	68,560	26,847	68,425	9	135
Insurance & intermediary receivables	7,074	35,298	2,534	23,573	647	848
Reinsurance receivables	3,949	3,975	3,949	3,974	-	-
Receivables (trade, not insurance)	6,026	2,300	3,158	1,599	101	101
Cash and cash equivalents	34,418	34,437	9,618	9,623	444	445
Any other assets, not elsewhere shown	-	3,686	-	2,735	-	67
Total assets	326,575	519,172	281,939	472,911	10,850	17,265
Liabilities						
Technical provisions - non-life	102,562	230,429	105,100	230,429	-	-
Technical provisions - health (similar to life)	-	-	-	-	-	-
Technical provisions – life	36,672	41,680	31,904	31,214	4,203	10,466
Provisions other than technical provisions	5,619	-	-	-	-	-
Deferred tax liabilities	3,488	2,055	1,346	2,011	118	44
Insurance & intermediary payables	33,718	57,835	-	23,664	-	453
Reinsurance payables	1	3,779	-	3,756	-	23
Payables (trade, not insurance)	16,924	13,335	21,821	21,366	990	990
Any other liabilities, not elsewhere shown	-	43,631	-	34,012	-	-
Total liabilities	198,983	392,744	160,171	346,452	5,311	11,976
Own funds / Equity	**127,592**	**126,428**	**121,768**	**126,459**	**5,539**	**5,289**

The table below details the balance sheet entries on a solvency II basis. The valuation methods do not differ between the solo insurance entities to the group position.

Balance Sheet Item	TWGE (£'000's)	LGI (£'000's)	LGL (£'000's)	TWGSL[11](£'000's)
Assets				
Deferred tax assets	4,561	1,626	1,048	1,887
Property, plant & equipment held for own use	902	17	-	885
Investments (other than assets held for index-linked and unit-linked funds)	242,791	234,190	8,601	-
Reinsurance recoverables	26,855	26,847	9	-
Insurance and intermediaries	7,074	2,534	647	3,892
Reinsurance receivables	3,949	3,949	-	-
Receivables (trade)	6,026	3,158	101	2,767
Cash and cash equivalents	34,418	9,618	444	24,354
Total assets	**326,575**	**281,939**	**10,850**	**33,784**
Liabilities				
Technical provisions	139,234	137,004	4,203	- 1,973
Provisions other than technical provisions	5,619	-	-	5,619
Deferred tax liabilities	3,488	1,346	118	2,024
Insurance & intermediaries payables	33,718	-	-	33,718
Reinsurance payables	-	-	-	-
Payables (trade, not insurance)	16,924	21,821	990	- 5,886
Total liabilities	**198,983**	**160,171**	**5,311**	**33,501**
Excess of assets over liabilities	**127,592**	**121,768**	**5,539**	**283**

[11] Includes group and consolidation adjustments.

D.1. Assets

The below table details the changes in valuation principles between UKGAAP 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 UKGAAP 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 £4,560.7k is valued by reference to expected future taxable profits and is comprised as shown in the table below. The deferred tax asset is treated as Tier 3 capital in Basic Own Funds. Further details are set out in section E.1.

Item	Solvency II £'000's	Statutory accounts value £'000's	Further details
Acquisition costs	2,642	2,642	The tax impact of the deduction of future expenses on acquisition costs in Italy and the UK.
Share options	104	104	The tax impact of share option costs in the future.
Capital allowances	167	167	The tax impact of capital allowances vs depreciation in the future.
Intragroup Fees on elimination	1,616	1,616	The tax impact of the removal of intragroup transactions on fee income.
Other	32	32	
Total deferred tax assets	**4,561**	**4,561**	

D.2. *Technical provisions*

Below are the details of the Technical Provisions from the UKGAAP 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).

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 2017 (£000s)	UK GAAP net Insurance Liabilities	Valuation adjustments	Technical Provisions
Fire and other damage to property	10,536	524	11,060
Miscellaneous financial loss	79,751	(8,891)	70,871
Health	22,136	3,286	26,422
Life	4,464	(439)	4,025
Total – all lines of business	**117,888**	**(5,520)**	**112,378**

LGI – Technical Provisions 2017 (£000s)	UK GAAP net Insurance Liabilities	Valuation adjustments	Technical Provisions
Fire and other damage to property	9,609	1,877	11,487
Miscellaneous financial loss	65,684	7,300	72,984
Health	22,187	3,500	25,687
Total – all lines of business	**97,480**	**12,677**	**110,157**

LGL – Technical Provisions 2017 (£000s)	UK GAAP net Insurance Liabilities	Valuation adjustments	Technical Provisions
Health	118	75	192
Life	4,125	(123)	4,002
Total – all lines of business	**4,243**	**(49)**	**4,194**

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 2017 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	13,672	967	**14,639**
Miscellaneous financial loss	83,380	4,543	**87,923**
Health	30,878	1,769	**32,647**
Life	3,920	105	**4,025**
Total – all lines of business	**131,849**	**7,385**	**139,234**

LGI – Technical Provisions 2017 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	14,098	967	**15,065**
Miscellaneous financial loss	85,492	4,543	**90,035**
Health	30,139	1,765	**31,904**
Total – all lines of business	**129,729**	**7,275**	**137,004**

LGL – Technical Provisions 2017 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Health	196	5	**201**
Life	3,897	105	**4,002**
Total – all lines of business	**4,093**	**110**	**4,203**

Net Technical Provisions

TWG Europe – Technical Provisions 2017 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	10,093	967	11,060
Miscellaneous financial loss	66,328	4,543	70,871
Health	24,653	1,769	26,422
Life	3,920	105	4,025
Total – all lines of business	**104,994**	**7,385**	**112,379**

LGI – Technical Provisions 2017 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	10,519	967	11,487
Miscellaneous financial loss	68,441	4,543	72,984
Health	23,923	1,765	25,687
Total – all lines of business	**102,882**	**7,275**	**110,157**

LGL – Technical Provisions 2017 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Health	187	5	192
Life	3,897	105	4,002
Total – all lines of business	**4,084**	**110**	**4,194**

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[12]. 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

[12] New diesel car sales in March 2018 were 37% down on the previous year, with 91,000 fewer cars registered.

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.

Pipeline adjustment is an estimate made to allow for the business that will be written after the accounts are closed but before the calendar year end. This estimate is based on measuring the average daily premium over Q3 and Q4 and applying this to the relevant number of days in December. Some care is taken to estimate more accurately where appropriate e.g. where clients have closed to new business.

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
Technical Provisions are calculated using a largely consistent method compared to the previous year.

Future Premiums

There is one change of significance, regarding future premiums. Future premiums are defined as premiums that have not yet been received but are not yet due, for example upcoming payments on a direct debit.

Future premiums had previously been allocated in the debtors and creditors section of the balance sheet. However, this year we have changed our approach and have allocated future premiums to technical provisions. We believe that this is more in line with EIOPA Solvency 2 regulations and had been identified as an area of improvement in previous solvency 2 submissions. Any other cashflows associated with these future premiums are similarly allocated to the Technical Provisions. This change does not materially affect either the available assets or solvency capital requirement and is hence presentational in nature.

Since the future premium represents an income, the technical provisions are reduced.

This change applies to all entities (LGI, LGL, TWGE).

SCR Reduction

During 2017, 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 we are continuing to experience. It is expected that this trend will continue into 2018.

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 £3,488.1k is valued by reference to forecast future taxable profits and is comprised as shown in the table below.

Item	Solvency II £'000's	Statutory accounts value £'000's	Further details
Equalisation provision	491	491	This liability relates to the release of the equalisation provision in 2016 over the next 4 years.
Investment valuation	1,544	1,544	This liability relates to differences in valuation of investments in the Netherlands and Switzerland.
Technical provisions	1,433	-	This liability relates to the impact of differences arising on the valuation of technical provisions between Solvency II and FRS102.
Other	21	21	
Total deferred tax assets	**3,489**	**2,056**	

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. There is only one level 3 investment held which accounts for 0.2% of the total investment portfolio.

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 31st December 2017, 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 4 years, ensuring that at least 3 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 2017 and 31 December 2016:

TWG Europe - Own Funds (£'000's)	Total		Tier 1 Unrestricted		Tier 1 Restricted		Tier 2		Tier 3	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Ordinary Share Capital	49,550	49,550	49,550	49,550	-	-	-	-	-	-
Reconciliation Reserve	51,491	69,447	51,491	69,447	-	-	-	-	-	-
Net Deferred Tax Assets	4,561	5,033	-	00	-	-	-	-	4,561	5,033
Total basic Own Funds after deductions	104,797	124,030	101,041	118,997	-	-	-	-	3,757	5,033
Eligible Own Funds to meet the consolidated group SCR	104,797	124,030	101,041	118,997	-	-	-	-	3,757	5,033
Eligible Own Funds to meet the minimum consolidated group SCR	101,041	118,977	101,041	118,997	-	-	-	-	-	-

LGI - Own Funds (£'000's)	Total		Tier 1 Unrestricted		Tier 1 Restricted		Tier 2		Tier 3	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Ordinary Share Capital	34,000	34,000	34,000	34,000	-	-	-	-	-	-
Reconciliation Reserve	66,143	84,053	66,143	84,053	-	-	-	-	-	-
Net Deferred Tax Assets	1,626	1,574	-	-	-	-	-	-	1,626	1,574
Total basic Own Funds after deductions	101,768	119,627	100,143	118,053	-	-	-	-	1,626	1,574
Eligible Own Funds to meet the consolidated group SCR	101,768	119,627	100,143	118,053	-	-	-	-	1,626	1,574
Eligible Own Funds to meet the minimum consolidated group SCR	100,143	118,053	100,143	118,053	-	-	-	-	-	-

LGL - Own Funds (£'000's)	Total		Tier 1 Unrestricted		Tier 1 Restricted		Tier 2		Tier 3	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Ordinary Share Capital	3,750	3,750	3,750	3,750	-	-	-	-	-	-
Reconciliation Reserve	740	312	740	312	-	-	-	-	-	-
Net Deferred Tax Assets	1,048	1,176	-	-	-	-	-	-	1,048	1,176
Total basic Own Funds after deductions	5,538	5,238	4,490	4,062	-	-	-	-	1,048	1,176
Eligible Own Funds to meet the consolidated group SCR	4,734	4,309	4,490	4,062	-	-	-	-	244	247
Eligible Own Funds to meet the minimum consolidated group SCR	4,490	4,062	4,490	4,062	-	-	-	-	-	-

Reconciliation of the movement in reconciliation reserve £'000's	TWGE	LGI	LGL
Opening reconciliation reserve - 1 January 2017	69,447	84,053	312
Dividend	(19,500)	(20,000)	-
Increase in restricted own funds	(1,524)	-	-
Decrease/(increase) in DTA	473	(52)	128
Increase in excess assets	2,595	2,142	300
Closing reconciliation reserve - 31 December 2017	**51,491**	**66,143**	**740**

LGI own funds for 2017 totalled £121.8m pre- foreseeable dividends, which has increased 1.8% over 2016 (£119.6m). Tier 1 funds represent 98.7% of LGI total own funds, with Tier 3 funds making up the balance of 1.3%. LGI has foreseeable dividends of £20m, to be paid from Tier 1 funds, which reduces the LGI own funds for 2017 to £101.9m. The Tier 3 funds are made up of deferred tax assets.

LGL own funds for 2017 totalled £5.5m, which has increased 5.7% over 2016 (£5.2m). Tier 1 funds represent 81.1% of LGL total own funds, with Tier 3 funds making up the balance of 18.9%. LGL has no foreseeable dividends.

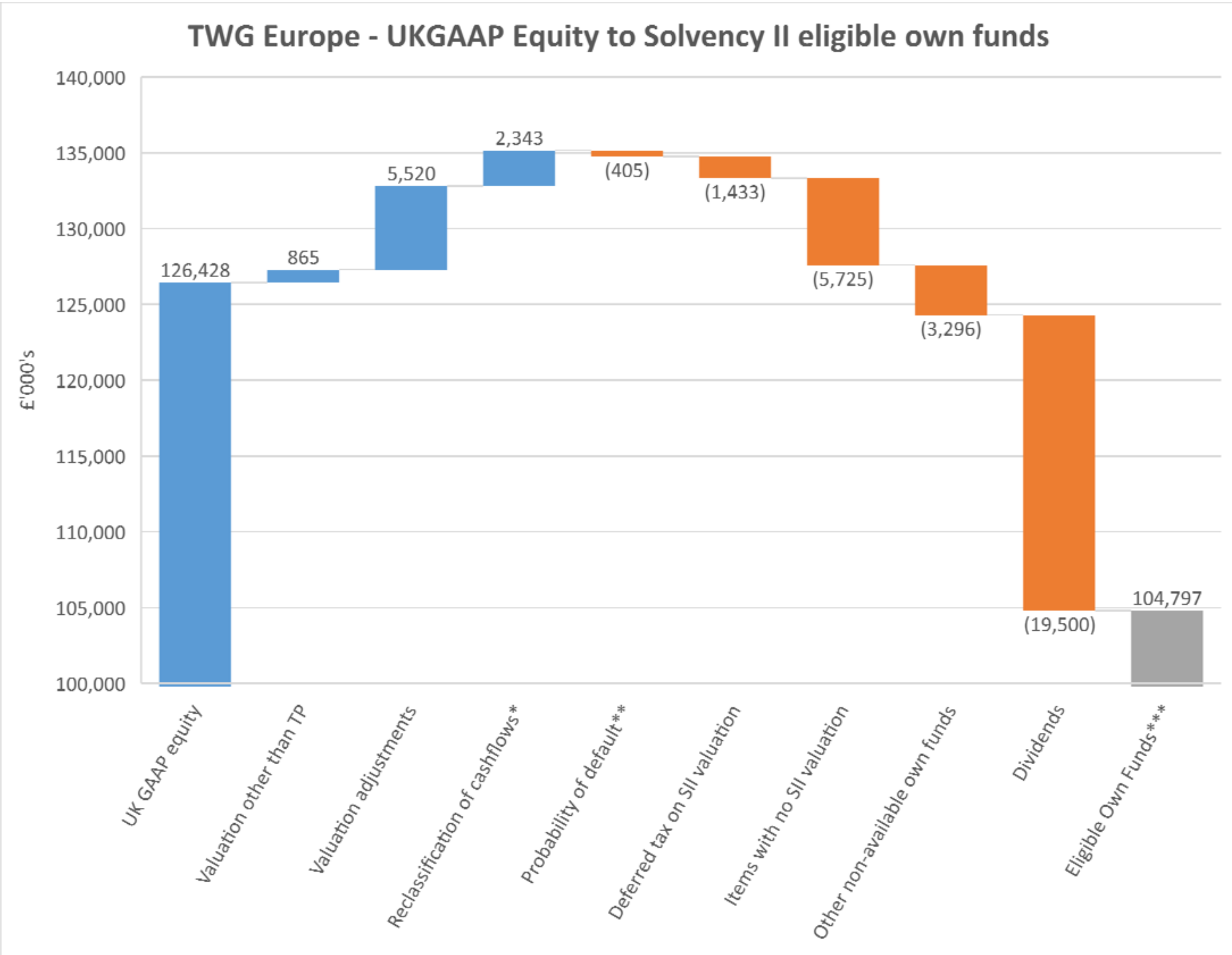
TWGE own funds for 2017 totalled £124.4m pre- foreseeable dividends, which has slightly increased over 2016 (£124.0m). Tier 1 funds represent 97.0% of TWGE, with Tier 3 funds making up the balance of 3.0%. TWGE has foreseeable dividends of £19.5m, to be paid from Tier 1 funds, which reduces the TWGE own funds for 2017 to £104.9m. The Tier 3 funds are made up of deferred tax assets.

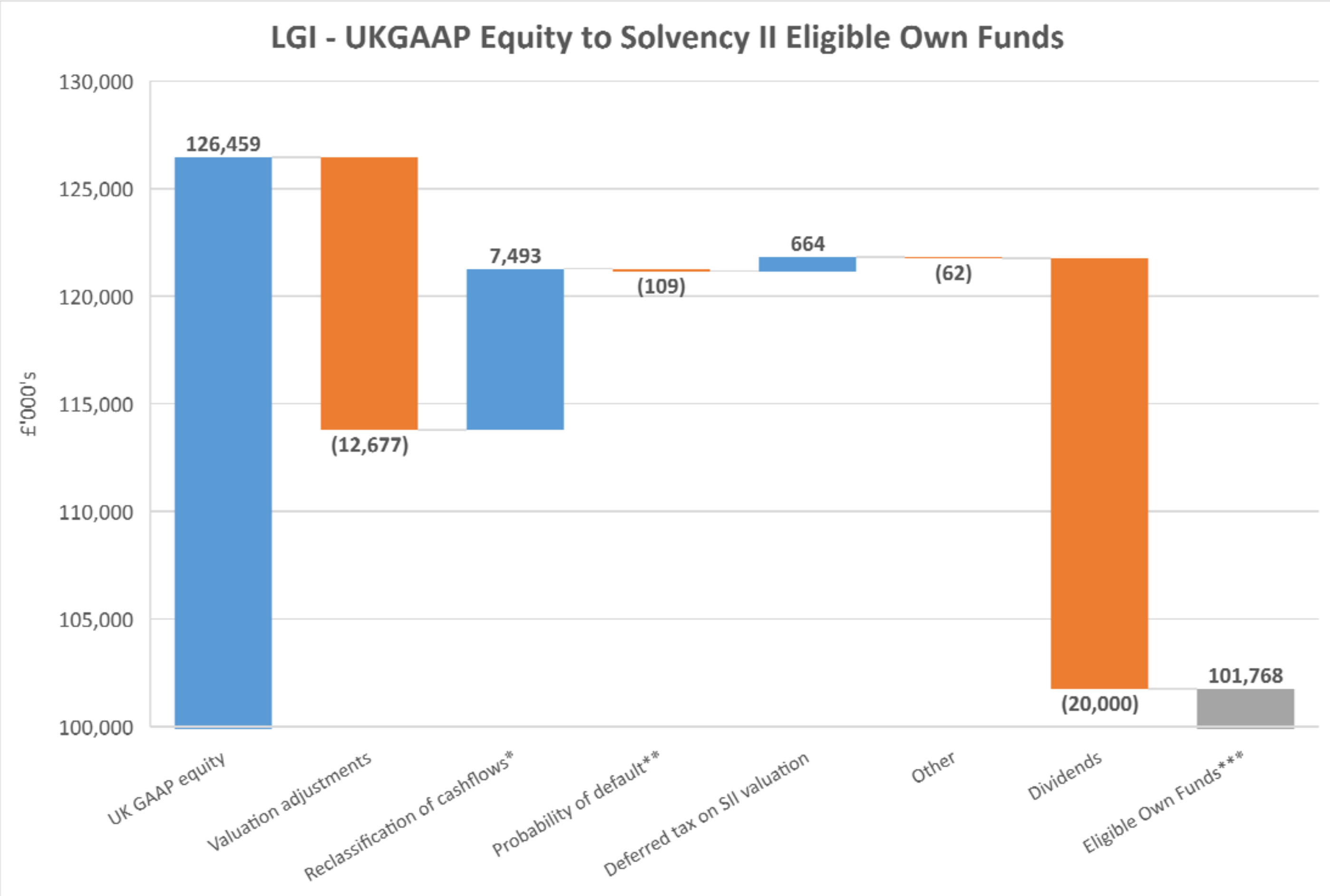
The business plan is projected for four years, so at least three complete years of future business is planned for at any point in time through the year. The planning process has not flagged or caused concern of capital strain in future years. No material changes or transactions are anticipated or included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

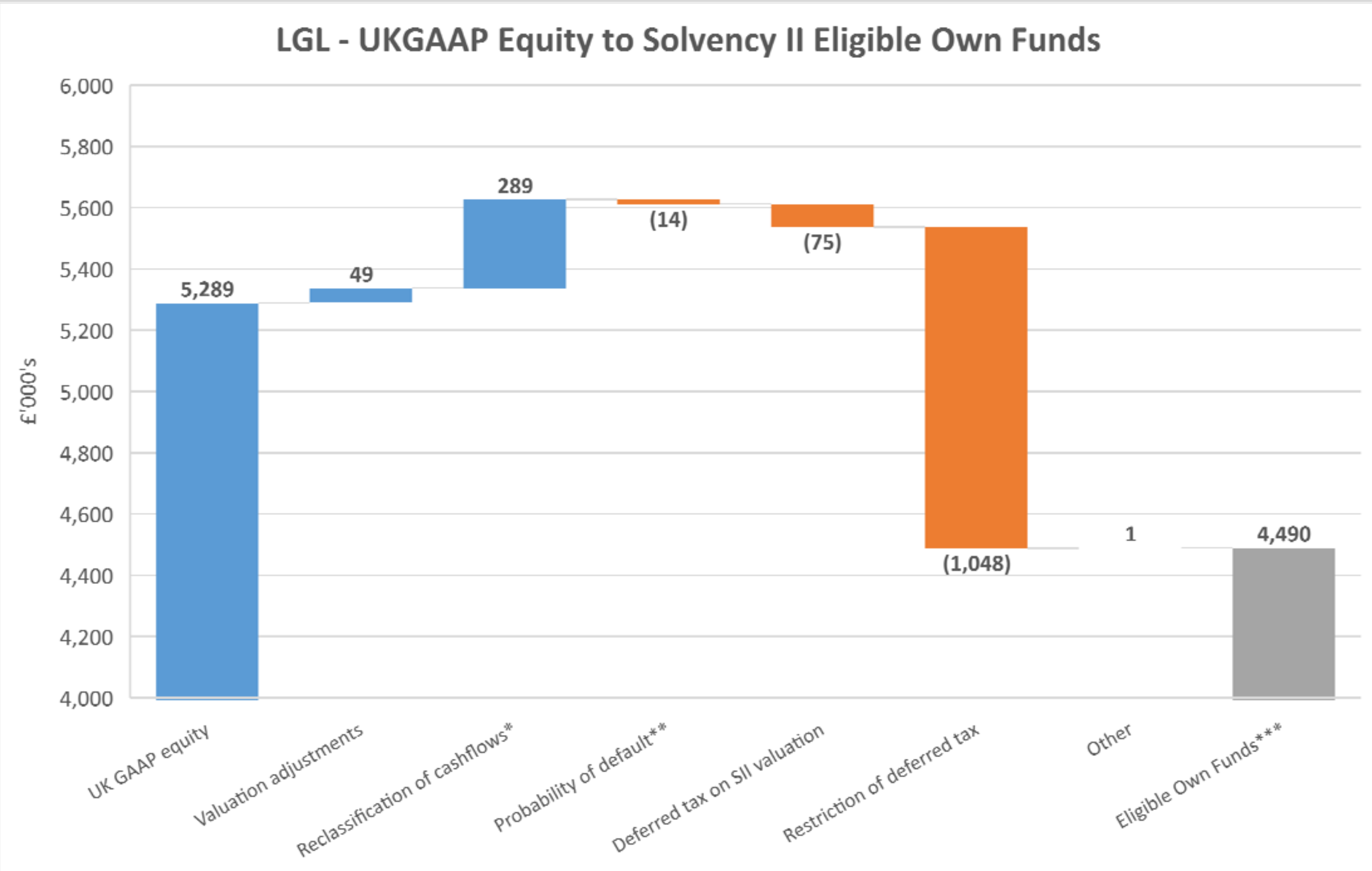
Group own funds are reported net of any intra-group transactions, as all intra-group balances are eliminated on consolidation (including internal subordinated debt balances).

Differences between equity on the UKGAAP balance sheet and assets over liabilities for Solvency II are detailed below for TWG Europe, LGI and LGL.

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




LGI - UKGAAP Equity to Solvency II Eligible Own Funds
£'000's
130,000
125,000
120,000
115,000
110,000
105,000
100,000
126,459
(12,677)
7,493
(109)
664
(62)
(20,000)
101,768
UK GAAP equity
Valuation adjustments
Reclassification of cashflows*
Probability of default**
Deferred tax on SII valuation
Other
Dividends
Eligible Own Funds***


LGL - UKGAAP Equity to Solvency II Eligible Own Funds
£'000's
6,000
5,800
5,600
5,400
5,200
5,000
4,800
4,600
4,400
4,200
4,000
5,289
49
289
(14)
(75)
(1,048)
1
4,490
UK GAAP equity
Valuation adjustments
Reclassification of cashflows*
Probability of default**
Deferred tax on SII valuation
Restriction of deferred tax
Other
Eligible Own Funds***

*Reclassification of not due cashflows to premiums reported in technical provisions

**Probability of default from expected payables

***Eligible own funds;

- For TWGE this is the "Eligible Own Funds to meet the consolidated group SCR".
- For LGI this is the "Eligible Own Funds to meet the solo SCR".
- For LGL this is the "Eligible Own Funds to meet the solo MCR".

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.

In the TWGE chart above, the "Other non-available own funds" is made up of a diversification benefit at group level (£2.5m) and the ineligible deferred tax assets arising in LGL (£0.8m).

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 9.96% to 9.35% in 2017. The annual refresh of the USP for 2018 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	
	2017	2016	2017	2016	2017	2016
Non-life underwriting risk (Insurance risk)	58,301	82,068	58,301	82,068	-	-
Health Underwriting risk (Insurance Risk)	6,829	5,727	6,672	5,630	34	65
Life Underwriting risk (Insurance Risk)	602	639	-	-	598	636
Market Risk	12,701	11,658	12,041	10,704	1,012	1,081
Counterparty default risk	8,298	8,435	6,060	5,618	143	-
Diversification	-18,445	- 17,637	-16,543	- 15,198	-426	- 376
Basic SCR	**68,286**	**90,890**	**66,531**	**88,821**	**1,361**	**1,406**
Operational risk	6,071	6,503	5,802	6,265	268	238
Loss-absorbing capacity of technical provisions	-	-	-	-	-	-
SCR	**74,356**	**97,393**	**72,333**	**95,086**	**1,629**	**1,644**
MCR (minimum consolidated SCR for TWG Europe)	**26,281**	**27,103**	**23,031**	**23,771**	**3,251**	**3,332**

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	
	2017	2016	2017	2016	2017	2016
SCR	141%	127%	141%	126%	291%	262%
MCR	384%	439%	435%	497%	138%	122%

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 31/12/2017 this equalled £3.25m.

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 2017

The following table shows the main movements in SCR during the 2017 year.

SCR	LGI (1)	LGL aMCR	LGL SCR (2)	Other Group (3)	TWGE (1+2+3)
	£m	£m		£m	£m
YE 2016 (Annual Submission)	**95.1**	**3.3**	**1.6**	**0.7**	**97.4**
Business Volumes	(15.2)				
USP Update (2017)	(3.8)				
GAP Reinsurance	(3.0)				
Earning Profile Update	(1.9)				
FX Impact	1.0				
Market Risk	0.3				
YE 2017 (Annual Submission)	**72.3**	**3.3**	**1.7**	**0.3**	**74.3**

To clarify;

- The YE 2016 SCR stated is consistent with the revised YE 2016 SFCR (the reason for the revised SFCR was stated in the summary section of this document).
- 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 2017 led to a slight decrease in parameter and hence a slight decrease in SCR. The USP changed from 9.96% to 9.35% in 2017.
- Placement of the GAP reinsurance reduces the Catastrophe Risk faced by TWGE and reduces the SCR.
- Earning Profile update also refers to business volumes and is an update to the estimate of how business will be earned over future months and years. This has quickened slightly and this leads to a fall in the SCR.
- FX Impact has been slightly negative due to weakening of the pound. This raises the SCR.
- Market Risk has risen 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 have been covered above

F. Report from the external independent Auditors of TWG Europe Limited, to the Directors

Report of the external independent auditor to the Directors of TWG Europe Limited ('the Group'), London General Insurance Company Limited and London General Life Company Limited pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by TWG Europe Limited ('the Group'), comprising of TWG Europe Limited and the authorised insurance entities London General Insurance Company Limited and London General Life Company Limited ('the Companies') as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Group as at 31 December 2017, ('**the Narrative Disclosures subject to audit'**); and
- Group templates S.02.01.02, S.23.01.22, S.25.01.22, S.32.01.22 ('**the Group Templates subject to audit'**);
- Company templates of London General Insurance Company Limited S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('**the Company Templates subject to audit'**); and
- Company templates of London General Life Company Limited S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('**the Company Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Group and Company Templates subject to audit are collectively referred to as the **'relevant elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;
- Group templates S.05.01.02, S.05.02.01;
- Company templates of London General Insurance Company Limited S.05.01.02, S.05.02.01, S.19.01.21;
- Company templates of London General Life Company Limited S.05.01.02, S.05.02.01; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('**the Responsibility Statement**');

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of TWG Europe Limited as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is not appropriate; or
- the Directors have not disclosed in the Group Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter – Basis of Accounting & Restriction on Use
We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of External Audit Chapter of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of this matter.

Other Information
The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report
The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations on which they are based, which have been supplemented by the approval made by the PRA under section 138A of FSMA referred to in E.2.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.**
The same responsibilities apply to the audit of the Group Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of TWG Europe Limited, London General Insurance Company Limited and London General Life Company Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP

Ernst & Young LLP
London
14 June 2018

The maintenance and integrity of the TWG Europe Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the web site.

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 – 2017 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

2017

(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 2017
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	4,561
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	902
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	242,791
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	401
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	401
R0130	*Bonds*	212,128
R0140	*Government Bonds*	77,498
R0150	*Corporate Bonds*	130,250
R0160	*Structured notes*	0
R0170	*Collateralised securities*	4,380
R0180	*Collective Investments Undertakings*	16,362
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	13,900
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:	26,855
R0280	*Non-life and health similar to non-life*	20,630
R0290	*Non-life excluding health*	20,630
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	6,225
R0320	*Health similar to life*	6,225
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	7,074
R0370	Reinsurance receivables	3,949
R0380	Receivables (trade, not insurance)	6,026
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	34,418
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	326,575

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	102,562
R0520	*Technical provisions - non-life (excluding health)*	102,562
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	97,051
R0550	*Risk margin*	5,510
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)	36,672
R0610	*Technical provisions - health (similar to life)*	32,647
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	30,878
R0640	*Risk margin*	1,769
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	4,025
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	3,920
R0680	*Risk margin*	105
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	5,619
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	3,488
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	33,718
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	16,924
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**	198,983
R1000	**Excess of assets over liabilities**	127,592

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							45,733					83,200					128,933
R0120	Gross - Proportional reinsurance accepted							13					498					511
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share							34,772					21,482					56,254
R0200	Net		0					10,974					62,215					73,189
	Premiums earned																	
R0210	Gross - Direct Business							50,702					114,811					165,513
R0220	Gross - Proportional reinsurance accepted							464					1,171					1,635
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share							38,445					27,780					66,226
R0300	Net		0					12,720					88,202					100,922
	Claims incurred																	
R0310	Gross - Direct Business							22,385					34,241					56,626
R0320	Gross - Proportional reinsurance accepted							390					116					506
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share							16,702					7,834					24,536
R0400	Net		0					6,073					26,524					32,597
	Changes in other technical provisions																	
R0410	Gross - Direct Business							0					0					0
R0420	Gross - Proportional reinsurance accepted							0					0					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share							0					0					0
R0500	Net		0					0					0					0
R0550	**Expenses incurred**		0					8,112					52,571					60,683
R1200	**Other expenses**																	
R1300	**Total expenses**																	60,683

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	15,519			5,498					21,017
R1420	Reinsurers' share	4,131			14					4,145
R1500	Net	11,388			5,484					16,873
	Premiums earned									
R1510	Gross	19,841			6,567					26,407
R1520	Reinsurers' share	4,995			16					5,011
R1600	Net	14,846			6,550					21,396
	Claims incurred									
R1610	Gross	9,377			658					10,035
R1620	Reinsurers' share	2,298			0					2,298
R1700	Net	7,079			658					7,737
	Changes in other technical provisions									
R1710	Gross	0			0					0
R1720	Reinsurers' share	0			0					0
R1800	Net	0			0					0
R1900	**Expenses incurred**	7,325			4,036					11,361
R2500	**Other expenses**									
R2600	**Total expenses**									11,361

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			PL	IT	DE	ES	FR	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	79,165	12,174	10,655	7,181	5,531	5,064	119,770
R0120	Gross - Proportional reinsurance accepted	266	0	138	0	95	0	498
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	42,781	2,435	2,741	1,453	2,100	2,073	53,583
R0200	Net	36,650	9,739	8,051	5,728	3,526	2,991	66,684
	Premiums earned							
R0210	Gross - Direct Business	97,276	15,386	18,197	4,002	4,370	8,327	147,559
R0220	Gross - Proportional reinsurance accepted	317	8	187	0	480	152	1,144
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	51,153	3,079	3,808	820	1,311	3,202	63,373
R0300	Net	46,441	12,315	14,576	3,182	3,539	5,277	85,330
	Claims incurred							
R0310	Gross - Direct Business	34,053	2,893	7,577	2,162	1,184	1,428	49,297
R0320	Gross - Proportional reinsurance accepted	120	15	1	0	123	-143	116
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	23,004	662	1,637	459	544	313	26,619
R0400	Net	11,169	2,246	5,940	1,703	764	972	22,794
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	32,809	9,800	6,735	1,888	1,401	2,662	55,295
R1200	**Other expenses**							
R1300	**Total expenses**							55,295

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	2,867	4,645	4,967	8,238	282	19	21,018
R1420	Reinsurers' share	1,328	1,268	1,190	324	30	4	4,145
R1500	Net	1,539	3,377	3,777	7,914	251	15	16,873
	Premiums earned							
R1510	Gross	2,973	14,000	5,181	3,569	569	51	26,342
R1520	Reinsurers' share	1,358	1,293	1,215	349	55	29	4,298
R1600	Net	1,615	12,707	3,965	3,221	514	22	22,044
	Claims incurred							
R1610	Gross	1,236	7,073	1,011	637	-23	6	9,940
R1620	Reinsurers' share	443	1,614	566	51	9	6	2,689
R1700	Net	793	5,459	445	586	-32	0	7,251
	Changes in other technical provisions							
R1710	Gross	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	859	5,160	1,945	2,781	138	13	10,897
R2500	**Other expenses**							
R2600	**Total expenses**							10,897

S.23.01.22

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
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	51,491	51,491			
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	4,561				4,561
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	804				804
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**	804	0	0	0	804
R0280	**Total deductions**	804	0	0	0	804
R0290	**Total basic own funds after deductions**	104,797	101,041	0	0	3,757
	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)	104,797	101,041	0	0	3,757
R0530	Total available own funds to meet the minimum consolidated group SCR	101,041	101,041	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)	104,797	101,041	0	0	3,757
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	101,041	101,041	0	0	
R0610	**Minimum consolidated Group SCR**	26,281				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	384.46%				
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)**	104,797	101,041	0	0	3,757
R0680	**Group SCR**	74,356				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	140.94%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	127,592
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	19,500
R0730	Other basic own fund items	54,111
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	2,491
R0760	**Reconciliation reserve**	51,491
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	238
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	3,752
R0790	**Total Expected profits included in future premiums (EPIFP)**	3,990

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	12,701		
R0020	Counterparty default risk	8,298		
R0030	Life underwriting risk	602		
R0040	Health underwriting risk	6,829		
R0050	Non-life underwriting risk	58,301	6	
R0060	Diversification	-18,445		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	68,286		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,071
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**	74,356
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	74,356
	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	26,281
	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**	74,356

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	213800QOT4WOYBI	LEI	London General Insurance Company Limited	Non life insurance undertaking	limited by shares	Non-mutual	Prudential Regulation Authority
2	GB	213800HE9OSV477	LEI	London General Life Company Limited	Life insurance undertaking	limited by shares	Non-mutual	Prudential Regulation Authority
3	GB	213800UHNTC599U	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	213800DN9XK5ME6	LEI	TWG Europe Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	limited by shares	Non-mutual	

S.32.01.22

Undertakings in the scope of the grou

				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	213800QOT4WOYBI	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	GB	213800HE9OSV4773	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	213800UHNTC599U	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800DN9XK5ME6	LEI							Included in the scope		Method 1: Full consolidation

London General Insurance Company Limited

Solvency and Financial Condition Report

Disclosures

31 December

2017

(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 2017
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	1,626
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	17
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	234,190
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	401
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	401
R0130	*Bonds*	205,445
R0140	*Government Bonds*	74,923
R0150	*Corporate Bonds*	126,142
R0160	*Structured notes*	0
R0170	*Collateralised securities*	4,380
R0180	*Collective Investments Undertakings*	14,444
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	13,900
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:	26,847
R0280	*Non-life and health similar to non-life*	20,630
R0290	*Non-life excluding health*	20,630
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	6,216
R0320	*Health similar to life*	6,216
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	2,534
R0370	Reinsurance receivables	3,949
R0380	Receivables (trade, not insurance)	3,158
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	9,618
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	281,939

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	105,100
R0520	*Technical provisions - non-life (excluding health)*	105,100
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	99,590
R0550	*Risk margin*	5,510
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)	31,904
R0610	*Technical provisions - health (similar to life)*	31,904
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	30,139
R0640	*Risk margin*	1,765
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	1,346
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)	21,821
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**	160,171
R1000	**Excess of assets over liabilities**	121,768

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							45,733					83,200					128,933
R0120	Gross - Proportional reinsurance accepted							13					498					511
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share							34,772					21,482					56,254
R0200	Net							10,974					62,215					73,189
	Premiums earned																	
R0210	Gross - Direct Business							50,702					114,811					165,513
R0220	Gross - Proportional reinsurance accepted							464					1,171					1,635
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share							38,445					27,780					66,226
R0300	Net							12,720					88,202					100,922
	Claims incurred																	
R0310	Gross - Direct Business							22,385					34,241					56,626
R0320	Gross - Proportional reinsurance accepted							390					116					506
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share							16,702					7,834					24,536
R0400	Net							6,073					26,524					32,597
	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**							8,112					52,571					60,683
R1200	**Other expenses**																	
R1300	**Total expenses**																	60,683

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	15,517								15,517
R1420	Reinsurers' share	4,131								4,131
R1500	Net	11,385								11,385
	Premiums earned									
R1510	Gross	19,696								19,696
R1520	Reinsurers' share	4,993								4,993
R1600	Net	14,703								14,703
	Claims incurred									
R1610	Gross	9,368								9,368
R1620	Reinsurers' share	2,298								2,298
R1700	Net	7,070								7,070
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0								0
R1900	**Expenses incurred**	7,232								7,232
R2500	**Other expenses**									
R2600	**Total expenses**									7,232

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			PL	IT	DE	ES	FR	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	79,165	12,174	10,655	7,181	5,531	5,064	119,770
R0120	Gross - Proportional reinsurance accepted	266	0	138	0	95	0	498
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	42,781	2,435	2,741	1,453	2,100	2,073	53,583
R0200	Net	36,650	9,739	8,051	5,728	3,526	2,991	66,684
	Premiums earned							
R0210	Gross - Direct Business	97,276	15,386	18,197	4,002	4,370	8,327	147,559
R0220	Gross - Proportional reinsurance accepted	317	8	187	0	480	152	1,144
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	51,153	3,079	3,808	820	1,311	3,202	63,373
R0300	Net	46,441	12,315	14,576	3,182	3,539	5,277	85,330
	Claims incurred							
R0310	Gross - Direct Business	34,053	2,893	7,577	2,162	1,184	1,428	49,297
R0320	Gross - Proportional reinsurance accepted	120	15	1	0	123	-143	116
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	23,004	662	1,637	459	544	313	26,619
R0400	Net	11,169	2,246	5,940	1,703	764	972	22,794
	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**	32,809	9,800	6,735	1,888	1,401	2,662	55,295
R1200	**Other expenses**							
R1300	**Total expenses**							55,295

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	2,796	6,340	4,592	1,619	151	19	15,517
R1420	Reinsurers' share	1,315	1,268	1,190	324	30	4	4,131
R1500	Net	1,481	5,072	3,402	1,295	121	15	11,386
	Premiums earned							
R1510	Gross	2,820	10,375	4,651	1,299	435	51	19,631
R1520	Reinsurers' share	1,340	1,293	1,215	349	55	29	4,280
R1600	Net	1,480	9,083	3,436	951	380	22	15,351
	Claims incurred							
R1610	Gross	1,226	6,732	969	368	-27	6	9,274
R1620	Reinsurers' share	443	1,614	566	51	9	6	2,689
R1700	Net	783	5,118	403	317	-35	0	6,585
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	793	3,522	1,603	789	47	13	6,767
R2500	**Other expenses**							
R2600	**Total expenses**							6,767

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
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**												30,139				30,139
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default												6,216				6,216
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re												23,923	0			23,923
R0100	**Risk margin**											1,765					1,765
	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**											31,904					31,904

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		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	
		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							9,664					77,973					87,638
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							2,235					15,229					17,465
R0150	**Net Best Estimate of Premium Provisions**							7,429					62,744					70,173
	Claims provisions																	
R0160	Gross							4,434					7,519					11,952
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							1,343					1,822					3,166
R0250	**Net Best Estimate of Claims Provisions**							3,090					5,696					8,787
R0260	**Total best estimate - gross**							14,098					85,492					99,590
R0270	**Total best estimate - net**							10,519					68,441					78,960
R0280	**Risk margin**							967					4,543					5,510
	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**							15,065					90,035					105,100
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**							3,579					17,051					20,630
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**							11,487					72,984					84,470

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)

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											0	0	0
R0160	2009	45,179	14,222	2,103	-116	69	14	286	4	3	0		0	61,764
R0170	2010	50,942	17,015	341	140	66	160	6	16	10			10	68,695
R0180	2011	60,270	15,215	398	209	250	145	7	7				7	76,501
R0190	2012	99,706	9,217	592	165	111	704	34					34	110,530
R0200	2013	99,468	10,267	470	151	215	45						45	110,615
R0210	2014	120,978	12,631	459	426	114							114	134,606
R0220	2015	116,588	7,211	900	300								300	124,998
R0230	2016	68,299	7,443	521									521	76,263
R0240	2017	55,020	5,327										5,327	60,347
R0250	2018	52,103											52,103	52,103
R0260												Total	58,460	876,422

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											15	15
R0160	2009	24,743	3,071	106	331	285	276	42	63	22	23		23
R0170	2010	28,325	1,095	495	361	343	192	74	30	33			34
R0180	2011	26,116	1,148	581	535	408	21	3	3				3
R0190	2012	23,747	1,172	519	392	48	1	1					1
R0200	2013	22,964	1,303	674	227	47	48						49
R0210	2014	19,504	1,152	271	38	5							5
R0220	2015	15,966	756	40	21								21
R0230	2016	12,247	321	52									53
R0240	2017	16,359	424										428
R0250	2018	12,184											11,320
R0260												Total	11,952

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	66,143	66,143			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,626				1,626
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**	101,768	100,143	0	0	1,626
	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	101,768	100,143	0	0	1,626
R0510	Total available own funds to meet the MCR	100,143	100,143	0	0	
R0540	Total eligible own funds to meet the SCR	101,768	100,143	0	0	1,626
R0550	Total eligible own funds to meet the MCR	100,143	100,143	0	0	
R0580	**SCR**	72,333				
R0600	**MCR**	23,031				
R0620	**Ratio of Eligible own funds to SCR**	140.69%				
R0640	**Ratio of Eligible own funds to MCR**	434.82%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	121,768
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	20,000
R0730	Other basic own fund items	35,626
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	66,143
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	32
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	604
R0790	**Total Expected profits included in future premiums (EPIFP)**	636

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	12,041		
R0020	Counterparty default risk	6,060		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	6,672		
R0050	Non-life underwriting risk	58,301	6	
R0060	Diversification	-16,543		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	66,531		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	5,802
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**	72,333
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	72,333
	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

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	22,132

		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	10,519	10,974
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	68,441	62,215
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	899

		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	23,923	
R0250	Total capital at risk for all life (re)insurance obligations		566,344

	Overall MCR calculation	C0070
R0300	Linear MCR	23,031
R0310	SCR	72,333
R0320	MCR cap	32,550
R0330	MCR floor	18,083
R0340	Combined MCR	23,031
R0350	Absolute floor of the MCR	3,251
R0400	**Minimum Capital Requirement**	23,031

London General Life Company Limited

Solvency and Financial Condition Report

Disclosures

31 December

2017

(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 2017
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	1,048
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)	8,601
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*	6,683
R0140	*Government Bonds*	2,575
R0150	*Corporate Bonds*	4,108
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	1,917
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	647
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	101
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	444
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	10,850

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)	4,203
R0610	*Technical provisions - health (similar to life)*	201
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	196
R0640	*Risk margin*	5
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	4,002
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	3,897
R0680	*Risk margin*	105
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	118
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)	990
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**	5,311
R1000	**Excess of assets over liabilities**	5,539

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	3			5,498					5,501
R1420	Reinsurers' share	0			14					13
R1500	Net	3			5,484					5,487
	Premiums earned									
R1510	Gross	144			6,567					6,711
R1520	Reinsurers' share	1			16					18
R1600	Net	143			6,550					6,694
	Claims incurred									
R1610	Gross	8			658					666
R1620	Reinsurers' share	0			0					0
R1700	Net	9			658					666
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0			0					0
R1900	**Expenses incurred**	94			4,036					4,129
R2500	**Other expenses**									
R2600	**Total expenses**									4,129

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			BE	IE	ES	NL		
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	71	6,619	375	131	-1,695		5,501
R1420	Reinsurers' share	13	0	0	0	0		13
R1500	Net	58	6,619	375	131	-1,695	0	5,487
	Premiums earned							
R1510	Gross	153	2,270	529	134	3,624		6,711
R1520	Reinsurers' share	18	0	0	0	0		18
R1600	Net	136	2,270	529	134	3,624	0	6,694
	Claims incurred							
R1610	Gross	10	269	42	4	341		666
R1620	Reinsurers' share	0						0
R1700	Net	11	269	42	4	341	0	666
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	66	1,992	342	91	1,638		4,129
R2500	**Other expenses**							
R2600	**Total expenses**							4,129

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**						3,897				3,897		196				196
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0		9				9
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						3,897	0			3,897		187	0			187
R0100	**Risk margin**					105					105	5					5
	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**					4,002					4,002	201					201

S.23.01.01

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	740	740			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,048				1,048
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**	5,539	4,490	0	0	1,048
	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	5,539	4,490	0	0	1,048
R0510	Total available own funds to meet the MCR	4,490	4,490	0	0	
R0540	Total eligible own funds to meet the SCR	4,734	4,490	0	0	244
R0550	Total eligible own funds to meet the MCR	4,490	4,490	0	0	
R0580	**SCR**	1,629				
R0600	**MCR**	3,251				
R0620	**Ratio of Eligible own funds to SCR**	290.61%				
R0640	**Ratio of Eligible own funds to MCR**	138.13%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	5,539
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	4,798
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	740
	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	1,012		
R0020	Counterparty default risk	143		
R0030	Life underwriting risk	598		
R0040	Health underwriting risk	34		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-426		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,361		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	268
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**	1,629
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	1,629

	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

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	296

		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	4,084	
R0250	Total capital at risk for all life (re)insurance obligations		299,753

	Overall MCR calculation	C0070
R0300	Linear MCR	296
R0310	SCR	1,629
R0320	MCR cap	733
R0330	MCR floor	407
R0340	Combined MCR	407
R0350	Absolute floor of the MCR	3,251
R0400	**Minimum Capital Requirement**	3,251

Appendix 3 – Financial Condition Report for LGI Switzerland

the warranty group

TWG Europe

Financial Condition Report for LGI Switzerland

Year-end 31st December 2017

Reviewed and approved by the Board of London General Insurance Company Limited on 25th April 2018

Financial Condition Report for LGI Switzerland

as at 31st December 2017

1.0. Introduction

This Financial Condition Report (FCR) is for the Swiss branch of London General Insurance Company Limited (referred to in this document as "LGI Switzerland"). It is intended to form part of the main Solvency and Financial Condition Report (SFCR) for TWG Europe Limited (TWGE) and will be included as a specific appendix to that report. The SFCR is prepared on a group basis for all subsidiaries of TWGE and includes details of London General Insurance Company Limited (LGI), London General Life Company Limited (LGL) and TWG Services limited (TWGSL). TWGSL is the Group's service company, that provides administration services to the group and directly to clients.

Due to differences in regulatory reporting deadlines, this FCR has been published before the corresponding Group SFCR, which will be available from 17 June 2018 onwards.

This FCR has been produced using FINMA guidance, namely *"Circular 2016/2 – Principles for the financial condition report".* The guidance makes it clear that insurance companies domiciled outside Switzerland, only need to complete provisions A and B set out within this guidance. This FCR has two main sections;

1. Provision A – Business activities
2. Provision B - Performance

Currently there is no auditing requirement for the Swiss FCR.

Previously, LGI Switzerland has been granted a temporary exemption from producing an FCR on the understanding that the group SFCR covered all of FINMA's requirements. However, after reviewing the group SFCR, FINMA decided that it did not meet all the FCR requirements and therefore was not renewed. Therefore, this is the first FCR which has been produced for LGI Switzerland.

Note that the figures quoted in Sterling have been converted using two exchange rates. Any balance sheet items have been converted using £1 = 1.318251 CHF (year-end 2017 closing rate). Any profit & loss account items have been converted using £1 = 1.268579 CHF (2017 average rate). This is to ensure consistency with our UK reporting as at year-end 2017.

2.0. Background

LGI Switzerland was established on 1st January 2006 as a branch of LGI and received approval to underwrite class B9. The branch is not a separate regulated legal insurance company entity thus forms part of LGI 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 through its branch (B9 is Other damage of property and B16 is Pecuniary losses).

A fuller description of LGI's European business will be set out in the TWGE Group SFCR.

3.0. Provision A – Business Activities

3.1. Company strategy, objectives and key business segments

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

Our mission is to provide extended warranty and other consumer products and services in a manner that exceeds the expectations of our customer's and enhances investor value while promoting a culture of individual growth, loyalty and ongoing achievement. Our success depends upon our ability to anticipate and respond to our customer's needs and deliver unparalleled value.

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

Our objectives can be summarised as follows:

- Increase revenue and margins through efficiencies and worldwide growth;
- Focus on innovation with new and existing products;
- Continue to work as a strategic partner for our clients and act as an extension of their management;
- Provide an environment that allows associates to maximize their career potential within the organization through a defined career path with management support and mentoring;
- Increase profitable market share.

To date LGI Switzerland remains a key part of TWGE's overall European strategy as it provides a platform whereby future motor or Appliance & Technology (A&T) business may be underwritten in Switzerland – if for example such business should arise as part of a pan-European distribution strategy with Switzerland as a component country. Currently, two of the previously underwritten schemes have gone into run-off and there is only one source of live business.

The long-term plan is to write new business through LGI Switzerland as and when the opportunities arise. These will be discussed in advance with FINMA.

Potential new opportunities could come from some of our other pan European clients who desire a presence in Switzerland.

Our key business segments are covered in the group SFCR. This is currently available on The Warranty Group website (as at 31 December 2016). The updated version will be published later as mentioned earlier.

3.2. Group structure

LGI Switzerland is a branch operation of London General Insurance Company Limited (LGI), with its branch office located at

ORFA Audit SA
Avenue des Alpes 96
CH-1820 Montreux

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).

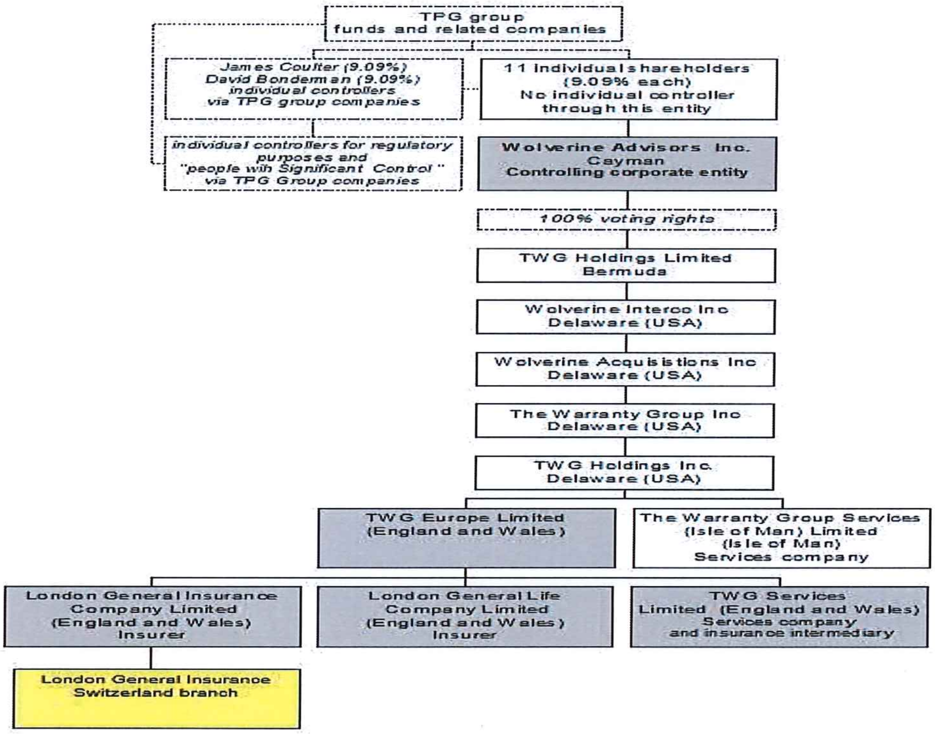
LGI is based in the United Kingdom and regulated by the Prudential Regulation Authority (PRA) as part of the TWGE group. TWGE comprise four companies based and registered in the UK:

- TWG Europe Ltd
- TWG Services Ltd

- London General Insurance Company Ltd; and
- London General Life Company Ltd

TWGE in turn is part of The Warranty Group, which has its headquarters in Chicago, Illinois, USA and operates globally. The Warranty Group is ultimately owned by the Texas Pacific Group (TPG) a private equity group, also based in the USA. Note the pending acquisition which we have mentioned below in section 3.6.

The corporate and ownership structure of TWGE is set out in the diagram below.



Please note:

- LGI Switzerland is a branch and not a subsidiary of LGI and is identified in yellow
- There are other EU based branches of the TWGE companies which for simplicity are not reflected in the chart.
- The grey shaded companies represent the four TWGE companies and the controlling corporate entity
- LGI does not have any subsidiaries; only branches in other EU states. However, it should be noted that, at the time of writing, TWGE is contemplating the establishment of new European insurance legal entities to allow TWGE to continue to underwrite insurance business within the EU after the UK's proposed exit from the European Union (known colloquially as Brexit).

- The above diagram shows the shareholdings of investors in the ultimate parent company, Wolverine Advisors Inc. who are based in the Cayman Islands.

3.3. Major shareholders

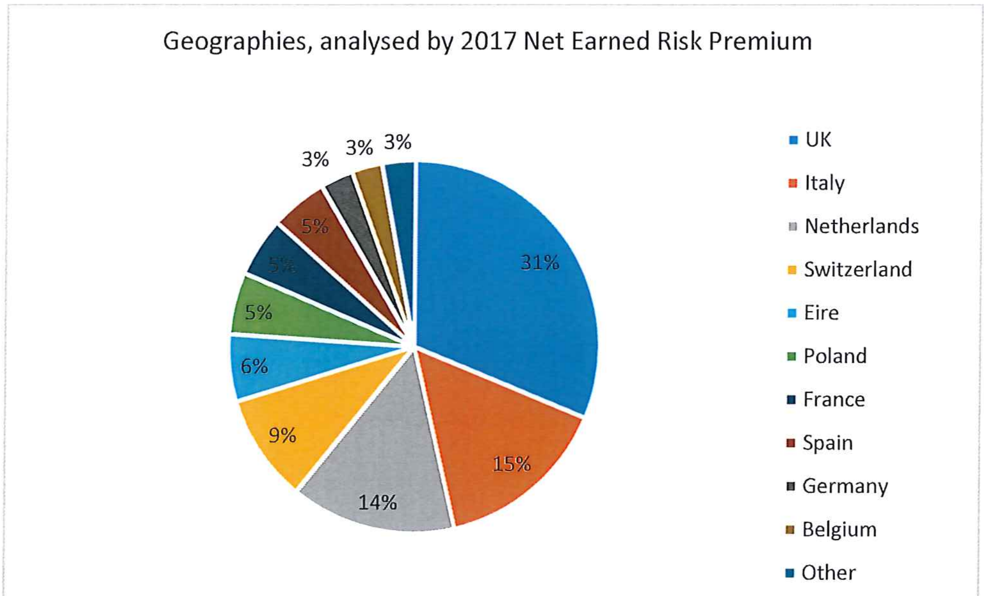
The organisational chart in the previous section shows major shareholdings at the ultimate parent level.

3.4. Major branches

The pie chart below shows that the top five branches based on net earned risk premium (as at 31 December 2017) are:

1. UK
2. Italy
3. Netherlands
4. Switzerland
5. Eire (Ireland)

Note that the Poland branch was closed in early 2018 and its business is in run off.



3.5. External auditors

TWGE appoint Ernst & Young (EY) as its external auditors. Consequently, LGI Switzerland also appoint EY Switzerland for external audit purposes.

EY Switzerland are approved by the Swiss Federal Audit Oversight Authority (FAOA).

3.6. Significant unusual events

On 18th October 2017, the acquisition of The Warranty Group by Assurant Inc was formally announced. This acquisition is still subject to regulatory and shareholder approval and is planned to be completed during the first half of 2018.

There are no current plans to change the operational basis of LGI Switzerland as a result of the pending acquisition. The ability to underwrite business in Switzerland remains a key part of TWGE's commercial franchise.

Apart from the above; there are currently no other known significant unusual events.

4.0. Performance

4.1. Financial performance

The volume of business underwritten within LGI Switzerland has been underwritten within the Appliance & Technology and Motor warranty business lines.

Between 2013 – 2015, there was growth in business underwritten via LGI Switzerland. However, during 2016 the largest client decided to terminate their contract and took their business in-house. Since this occurred, the volume of business written has reduced year on year; this is reflected in the declining levels of technical provisions shown further below.

Currently the Swiss business underwrites appliance and technology business in respect of personal electronic goods. The table below provides high-level summary of data for all clients. Note that net written premium is net of commission and admin fees; there is no reinsurance for LGI Switzerland.

Summary Data

	Inception to date*		Projected per annum (2018 onwards)	
Currency	Gross written premium	Net written premium	Gross written premium	Net written premium
CHF	424,039	217,945	290,000	149,000
GBP	334,263	171,802	228,602	117,454

*Figures stated are for business currently being written only and are from inception to 31 December 2017

The table below shows the gross written premium from January 2017 to the end of December 2017 (i.e. year to date) for LGI Switzerland and LGI which identifies the modest volumes represented by LGI Switzerland's business.

Gross Premium Written Jan 17 - Dec 17	CHF	GBP
LGI - Switzerland	292,280	230,400
LGI		144,959,000
as a % of total LGI		*0.16%*

4.2. Claims

The table below shows the incurred claims experience for LGI Switzerland.

	Jan 17 - Dec 17		
	CHF	GBP	Inception to date in GBP
Claims incurred	6,356,652*	5,010,844	13,734,291**
Earned Risk Premium	6,413,889	5,055,964	20,497,098
Incurred loss ratio	99.1%	99.1%	67.0%

*Claims incurred includes the Security & Fluctuation Provision.

**Does not include the Security & Fluctuation Provision, hence the lower incurred loss ratio.

The table below shows the significant reduction in the related technical provisions over the recent financial years. This trend of decreasing technical provisions is projected to continue for LGI Switzerland due to a considerable proportion of the business in run-off.

Technical Provisions(£)	YE 2015	YE 2016	Q1 2017	Q2 2017	Q3 2017	YE 2017
LGI - Switzerland	11,248,271	8,178,232	7,090,588	6,219,378	5,141,381	3,946,655
LGI	144,790,777	126,094,037	119,949,560	119,800,222	119,554,801	122,168,651
As % of total LGI	*7.8%*	*6.5%*	*5.9%*	*5.2%*	*4.3%*	*3.2%*

The following should be noted about the above table:

1. All figures have been converted using the YE 2017 closing rate of £1 = 1.318251 CHF.

2. The figures are the Solvency II computations at each quarter end.

3. The figures for LGI Switzerland have been produced on a Solvency II basis to make the comparison consistent with LGI. This means that the technical provisions for LGI Switzerland do not coincide directly with the technical provisions shown in the financial statements. The Solvency II basis models all future cash flows (for all business written up until the accounting date), allows discounting and removes any explicit margins held within the reserves.

4.3. Comparisons with previous report

This is the first FCR produced for LGI Switzerland.

4.4. Comments on Performance Non-Life Solo template

A significant amount of business written by LGI Switzerland is in run-off. This is evident from the template in the following places:

1. Drop in gross written premiums from the previous year versus the reporting year

2. Drop in acquisition and administration expenses from the previous year versus the reporting year.

3. An increase in gross insurance claims and change in technical provisions from the previous year versus the reporting year.

All of the above is in-line with expectations as the accounts which have been terminated run-off.

4.5. Investments

TWGE outsources its investment function to an external fund manager in respect of the portfolios of each of its companies. The fund manager has a very clear mandate aligned to TWGE's group risk appetite and specific investment mandates for each company and a separate mandate for LGI Switzerland.

The value of the LGI investment portfolio is represented in the table below:

	As at Q4 2017	
	CHF	GBP
Swiss Government Bonds	13,459,447	10,210,079
Corporate Bonds	5,553,831	4,213,030
Total	**19,013,278**	**14,423,109**

The majority of the assets are in Swiss government bonds and collective investment vehicles (investing in corporate bonds and not equities). It is worth noting, that although the collective investment vehicles exceed the 5% threshold set by FINMA, we believe that the corporate bonds contained within the collective investment vehicle meet FINMA's specified requirements for liquidity, quality, transparency and reporting. As a result, we believe that these collective investment vehicles meet the technical requirements required to allow the 5% limit to be exceeded.

This is a minimal risk investment strategy which is in line with the wider TWGE strategy.

Conclusion

Whilst LGI Switzerland is a small branch (both in absolute and relative terms), it is part of a larger group which has robust governance and risk management processes, significant solvency coverage and underwriting capabilities. These are filtered down to branches and help TWGE to maintain stable, profitable and long-term branches in various EU locations.

APPENDIX 1 – Completed templated required by FINMA regulations
APPENDIX 2 – Management report

Reviewed and approved by the Board of London General Insurance Company Limited on 25th April 2018

David Owen, Company Secretary

Approved for, London General Insurance Company Limited Succursale de Montreux (Suisse)

Jean-Charles Turrian, General Representative

Appendix 1

Financial situation report: quantitative template "Performance Solo NL"

Currency: CHF or annual report currenc
Amounts stated in millions

		Total		Direct Swiss business													
												G611QA				G853EA	G856EA
				Accident		Illness		Motor vehicle		Transport		Fire, natural hazards, property damage		General third-party liability		Other branches	
		Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	Gross premiums	2.56	0.29									0.17	0.29			2.39	0.00
2	Reinsurers' share of gross premiums	-	-									-	-			-	-
3	Premiums for own account (1 + 2	2.56	0.29									0.17	0.29			2.39	0.00
4	Change in unearned premium reserve	5.10	7.62									0.24	0.09			4.85	7.53
5	Reinsurers' share of change in unearned premium reserve	-	-									-	-			-	-
6	Premiums earned for own account (3 + 4 + 5	7.65	7.91									0.41	0.38			7.24	7.53
7	Other income from insurance business	-	-									-	-			-	-
8	**Total income from underwriting business (6 + 7**	**7.65**	**7.91**									**0.41**	**0.38**			**7.24**	**7.53**
9	Payments for insurance claims (gross	- 4.09	- 4.99									- 0.17	- 0.13			- 3.92	- 4.86
10	Reinsurers' share of payments for insurance claims	-	-									-	-			-	-
11	Change in technical provisions	- 1.10	- 1.37									- 0.41	- 0.94			- 0.69	- 0.43
12	Reinsurers' share of change in technical provision	-	-									-	-			-	-
13	Change in technical provisions for unit-linked life insuranc																
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	**- 5.20**	**- 6.36**									**- 0.59**	**- 1.06**			**- 4.61**	**- 5.29**
15	Acquisition and administration expense	- 0.51	- 0.17									- 0.10	- 0.17			- 0.41	- 0.00
16	Reinsurers' share of acquisition and administration expense	-	-									-	-			-	-
17	Acquisition and administration expenses for own account (15 + 1(	- 0.51	- 0.17									- 0.10	- 0.17			- 0.41	- 0.00
18	Other underwriting expenses for own accour	-	-									-	-			-	-
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	**- 5.71**	**- 6.53**									**- 0.69**	**- 1.24**			**- 5.02**	**- 5.29**
20	Investment income	0.37	0.51														
21	Investment expenses	- 0.40	- 0.36														
22	**Net investment income (20 + 21**	- 0.03	0.14														
23	Capital and interest income from unit-linked life insuranc	-	-														
24	Other financial income	0.04	- 0.06														
25	Other financial expenses	-	-														
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25**	1.95	1.46														
27	Interest expenses for interest-bearing liabilitie	-	-														
28	Other income	-	-														
29	Other expenses	- 1.19	- 0.79														
30	Extraordinary income/expense	-	-														
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30**	0.76	0.67														
32	Direct taxes	- 0.00	- 0.01														
33	**Profit / loss (31 + 32)**	0.76	0.66														

Financial situation report: quantitative template "Performanc NL"

		Direct non-Swiss business		Indirect business													
		Total		Personal accident		Health		Motor		Marine, aviation transport		Property		Casualty		Miscellaneous	
		Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	Gross premiums																
2	Reinsurers' share of gross premium:																
3	Premiums for own account (1 + 2																
4	Change in unearned premium reserve																
5	Reinsurers' share of change in unearned premium reserve																
6	Premiums earned for own account (3 + 4 + 5																
7	Other income from insurance busines:																
8	**Total income from underwriting business (6 + 7**																
9	Payments for insurance claims (gross																
10	Reinsurers' share of payments for insurance claims																
11	Change in technical provision:																
12	Reinsurers' share of change in technical provision																
13	Change in technical provisions for unit-linked life insuranc																
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**																
15	Acquisition and administration expense																
16	Reinsurers' share of acquisition and administration expense																
17	Acquisition and administration expenses for own account (15 + 1(																
18	Other underwriting expenses for own accour																
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**																
20	Investment income																
21	Investment expense:																
22	**Net investment income (20 + 21)**																
23	Capital and interest income from unit-linked life insuranc																
24	Other financial income																
25	Other financial expense:																
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25**																
27	Interest expenses for interest-bearing liabilitie																
28	Other income																
29	Other expenses																
30	Extraordinary income/expense																
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30**																
32	Direct taxes																
33	**Profit / loss (31 + 32)**																

Appendix 2

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 Registered Office at:

Twenty Kingston Road
Staines upon Thames
Surrey
TW18 4LG
United Kingdom

The management present their report and financial statements for the branch for the year ended 31 December 2017.

RESULTS

For 2017, general business premiums written were CHF 292,280 (2016: CHF 2,557,171), with a pre taxation profit of CHF 1,327,904 (2016: Loss of CHF 760,658).

PRINCIPAL ACTIVITIES

During 2016 the branch stopped underwriting motor vehicle extended warranty insurance but continued to write appliance and technology business in respect of personal electronic goods.

The company operates throughout Europe, through branch operations or through freedom of services arrangements. During 2017 the company operated through branch establishments in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Poland, Spain, and Switzerland.

BUSINESS PERFORMANCE REVIEW

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

	2017 CHF'000	2016 CHF'000	Change %
Gross premiums written	292	2,557	-89%
Earned premiums, net of reinsurance	7,910	7,653	+3%
Net Claims Incurred	4,975	4,172	+19%
Underwriting Result	2,763	2,969	-7%
Expenses	819	1,224	-33%
Investment income	221	66	+232%
Balance sheet			
Technical Reserves	10,732	16,981	-37%
Capital Account	7,629	3,305	+131%

The reduction in Gross Premium Written is mainly due to lower on motor warranty cover following the signing of a new agreement with our major client in 2016 which no longer includes business generated from the sale of new cars. The value of accidental damage and theft cover for technical equipment written in the year has also reduced following the cancellation of a scheme with a major client.

The branch underwriting result was a profit of CHF 2,763,220 (2016: CHF 2,772,144) as the motor warranty polices have entered the risk period after having previously expensed the acquisition costs incurred in securing new business which are not deferred according to Swiss accounting rules. The security and flucuation provision has been calculated according to the branch's policy and the increase in the year is due to the improved underwriting performance.

The decrease in the balance sheet technical provisions is due to the reduced volume of polices written in the year partially offset by an increase in the security and fluctuation reserve.

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 has been supplied to FINMA.

PRINCIPAL RISKS AND UNCERTAINTIES

The TWG Europe's (the "group") Board Risk Committee is responsible for overseeing the effectiveness of the company's Risk Management framework. The group's Risk Management framework is underpinned by risk policies and the process of review and validation through the group's second line of defence.

The group's Risk Management function is responsible for ensuring that the risks facing the business are properly identified, evaluated and controlled, and for the maintenance of the Risk Register and the events log, reporting any material changes and additions to the Board and Management Risk Committees. The Board's Risk Committee receives a quarterly risk update that identifies any changes to the company's risk profile, together with the mitigating controls and actions that have been taken. That Committee in turn reports to the Board. The company, including the branch manages its risks in accordance with its risk appetite.

The principal risks facing the company, including the branch are set out below:

- **Insurance Risk**
  Insurance risk is split into two distinct sub risks:
  • Underwriting risk - Loss or adverse change in the value of insurance liabilities, due to inadequate pricing - i.e. underwritten events do not occur/crystallise as assumed in pricing business, including binary events, inadvertent coverage of products not priced for; and,
  • Reserving risk - Loss or adverse change in the value of insurance liabilities, due to inadequate provisioning assumptions - i.e. Reserves (Claims, including Incurred But Not Reported (IBNR)) are inadequate to meet future liabilities.

  Insurance risk is the key risk in the company's strategy, seeking profit from the underwriting of risk. This is managed with a clear and focussed underwriting approach and risk appetite, with regular reviews of profile and performance. Reserving risk is governed by the Reserving Policy and overseen by the Actuarial department. Inherently with high frequency, low severity claims experience and minimal latent claims, reserving risk is relatively low for the group. The creditor book has a higher risk profile, but are smaller than the Auto and A&T lines of business.

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

- **Credit Risk**
  Credit risk is the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors. The group 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.

- **Liquidity Risk**
  Liquidity risk is the risk that the group is unable to realise investments and other assets to settle financial obligations when they fall due. The group manages this risk on two levels, one, considers the day-to-day cash flow needs of the business, including the associated processes for cash flow management; secondly, is in a crisis event, the liquidity of the investment portfolios.

- **Market Risk**
  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, securitised securities risk.

  Market risk is managed by the limits and tolerances outlined in the Investment Management Agreement between the group and the Investment Manager. Adherence to the agreement and market risk sensitivities are monitored by the Investment Committee.

- **Strategic and Emerging Risks**
  Strategic risks are categories as risks that may cause loss that may arise from the pursuit of an unsuccessful business plan or inability to meet the assumptions used in the plan.

  Strategic risks managed by the group include risks related to the acquisition of new business and the retention and improvements sought in existing business.

  The key emerging risk currently being managed and monitored closely by the group is BREXIT. Inherently this risk is significant to the group, as a European insurer which relies on passporting rights within the EU to conduct business. This risk is closely controlled with a dedicated BREXIT project team whose primary purpose is to ensure that the group can continue to conduct and service its core business in its current territories of operation.

- **Operational Risk**
  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; and
  • 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 the group, it is deemed part of the operational risk framework and managed accordingly.

- **Risk Capital Management**
  Risk Capital Management is managed within a framework, with clear risk appetite tolerances and triggers that consider the capital requirements of maintaining an AM Best A- rating; any ORSA capital requirements; and, the maintenance of Solvency II Own Funds in excess of capital requirements, with the addition of a suitable management buffer to ensure continuous solvency.

  Capital management and it's associated framework is governed by the Capital Management Policy, which is approved by the Board. The Policy applies consistently across the group.

  As at 31st December 2017, Capital was maintained above the required risk appetite levels for AM Best, ORSA and SCR capital requirements.

NUMBER OF FULL-TIME POSITIONS ON ANNUAL AVERAGE

The branch did not have any employees in 2017 or 2016.

RESEARCH AND DEVELOPMENT

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

EXTRAORDINARY EVENTS

There were no extraordinary events in 2017.

FUTURE DEVELOPMENTS

The company continues to evaluate its product mix and geographical footprint to ensure that it moves with both market trends and the changing European regulatory and compliance environment.

Appendix 3

INDEPENDENT AUDITOR'S REPORT

with financial statements as of December 31, 2017 of

LONDON GENERAL INSURANCE COMPANY LIMITED,
à Staines-upon-Thames, succursale de Montreux (Suisse), Montreux

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To the General Manager of

LONDON GENERAL INSURANCE COMPANY LIMITED, à Staines-upon-Thames, succursale de Montreux (Suisse)

Lausanne, April 27, 2018

Independent auditor's report

As a federally-supervised audit firm, we have audited the accompanying financial statements of the LONDON GENERAL INSURANCE COMPANY LIMITED, à Staines-upon-Thames, succursale de Montreux (Suisse), which comprise the balance sheet as at December 31, 2017, and the income statement and notes for the year then ended, in line with Article 28 para. 2 of the Insurance Supervision Act (ISA) and with reference to the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)".

The financial statements have been prepared by the General Manager on the basis of the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law.

General Manager's Responsibility for the Financial Statements The General Manager is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act (FINMASA), the Insurance Supervision Act (ISA), the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA) as well as with the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)" –, and for such internal controls as the General Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulatory requirements set out in Article 28 para. 2 ISA, the WNL and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the branch office's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the branch office's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Montreux branch office of the LONDON GENERAL INSURANCE COMPANY LIMITED, Staines-upon-Thames, as of and for the year ended December 31, 2017 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

Basis of Accounting

Without modifying our opinion, we note that the financial statements of the Montreux branch office of the LONDON GENERAL INSURANCE COMPANY LIMITED, Staines-upon-Thames, are prepared on the basis of the accounting principles specified above. The financial statements are prepared to comply with the requirements of Article 25 para. 4 ISA. As a result, the financial statements may not be suitable for another purpose.

Ernst & Young Ltd

Blaise Wägli Licensed audit expert (Auditor in charge)	Fabien Raufaste Licensed audit expert

Enclosure

- Financial statements (balance sheet, operating account and notes)

Financial Statement of London General Insurance Company Limited, succursale de Montreux

Balance sheet as of December 31st, 2017

Assets

CHF	Note	31.12.2017	31.12.2016
Investments		19'013'278	22'084'613
Fixed-interest securities	1a	13'459'447	13'754'492
Other investments	1b	5'553'831	8'330'121
Cash and cash equivalents		484'186	180'848
Insurance receivables	2	6'245	71'015
Other receivables		307'713	69'730
Prepaid expenses	3	224'102	224'040
TOTAL ASSETS		**20'035'524**	**22'630'246**

Liabilities and Head office account

CHF	Note	31.12.2017	31.12.2016
Technical provisions	4	10'731'889	16'981'196
Insurance payables	5	41'404	165'623
Other liabilities	6	1'633'198	2'178'920
Total provisions and 3rd parties liabilities		12'406'491	19'325'739
Head office account	**	7'629'033	3'304'507
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		**20'035'524**	**22'630'246**

** As per statement of changes enclosed

Financial Statement of London General Insurance Company Limited, succursale de Montreux

Income statement for the year to 31st, December 2017

CHF	Note	2017	2016
Gross premium written		292'280	2'557'171
Net premiums written		**292'280**	**2'557'171**
Change in unearned premium reserves		7'617'443	5'096'291
Net premiums earned		**7'909'722**	**7'653'462**
Other insurance income		0	0
Total technical income		**7'909'722**	**7'653'462**
Gross claims and claim expenses paid		-4'988'517	-4'091'770
Change in technical provisions	7	-1'368'135	-1'103'877
Net claims and claim expenses incurred		**-6'356'652**	**-5'195'647**
Acquisition costs and administrative expenses		-171'460	-511'853
Net acquisition costs and administrative expenses		**-171'460**	**-511'853**
Total technical expenses		**-6'528'112**	**-5'707'499**
Income from investments	9	508'368	370'874
Expenses from investments	10	-363'877	-401'711
Net income from investments		**144'491**	**-30'837**
Other financial income		-62'637	35'323
Operating income		**1'463'464**	**1'950'449**
Other expenses		-792'740	-1'189'791
Profit before tax		**670'725**	**760'657**
Income tax expense		-5'985	-1'524
PROFIT FOR THE YEAR		**664'740**	**759'134**

Financial Statement of London General Insurance Company Limited, succursale de Montreux

Statement of changes in Head office account

	31.12.17 CHF	31.12.16 CHF	*change* *%*
Beginning balance at 1.1.	3'304'507	2'545'373	*30%*
Fund transfer from the Head office	3'659'786	-	-
Fund transfer to the Head office	-	-	-
Profit for the year	664'740	759'134	*-12%*
Ending balance at 31.12	**7'629'033**	**3'304'507**	*131%*

Financial Statement of London General Insurance Company Limited, succursale de Montreux

Notes to the Financial Statements

Financial reporting standards and activities

The report covers the activities of the Swiss branch of London General Insurance Company Limited ("the branch"). A company registered in the United Kingdom with Registered Office at:

Twenty Kingston Road
Staines upon Thames
Surrey
TW18 4LG
United Kingdom

The registered office of the branch is at:

ORFA AUDIT SA
Avenue des Alpes 96
1820 Montreux

The management present the financial statements for the branch for the year ended 31 December 2017. During the year the branch stopped underwriting motor vehicle extended warranty insurance but continued to write appliance and technology business in respect of personal electronic goods.

There is no full-time equivalents for the reporting year, as well as for the previous year.

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b CO, applicable as of 1 January 2013).

Apart from the Swiss Code of Obligations, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5-6a AVO-FINMA) have been applied.

Foreign Currency Translation

The annual financial statements are prepared in Swiss franc.

Valuation principles

Uniform valuation principles were applied. Assets, equity and liabilities were valued individually.

Equity and liabilities:
Equity and liabilities are stated at their nominal value.

Investments:
Fixed-interest securities are valued using the linear cost amortization method.
Collective investments are valued at the lower of cost or market.

Technical provisions:
These are obligations due to insured parties determined based on an individual insurance agreement. They are calculated in accordance with methodologies notified to FINMA.

Financial Statement of London General Insurance Company Limited, succursale de Montreux

Notes to the Financial Statements

1a. Fixed-interest securities

CHF	31.12.2017	31.12.2016
Swiss Government bonds	13'459'447	13'754'492
Total	**13'459'447**	**13'754'492**

1b. Other investments

CHF	31.12.2017	31.12.2016
Ishares Core CHF Corporate bond - ISIN CH0226976816	5'553'831	8'330'121
Total	**5'553'831**	**8'330'121**

2. Insurance receivables

CHF	31.12.2017	31.12.2016
Receivables from policyholders	-	-
Receivables from agents and brokers	6'245	71'015
Receivables from insurance companies	-	-
Total	**6'245**	**71'015**

3. Prepaid expenses

CHF	31.12.2017	31.12.2016
Accrued interest on investments	224'102	224'040
Other deferrals	-	-
Total	**224'102**	**224'040**

4. Technical provisions

Non-life CHF	Technical provisions (gross) 31.12.2017	Reinsurers' share 31.12.2017	Technical provisions written 31.12.2017
Unearned premium reserve	6'161'376	-	6'161'376
Loss reserves	647'304	-	647'304
Actuarial reserves	3'923'209	-	3'923'209
Total	**10'731'889**	-	**10'731'889**

Non-life CHF	Technical provisions (gross) 31.12.2016	Reinsurers' share 31.12.2016	Technical provisions written 31.12.2016
Unearned premium reserve	13'778'819	-	13'778'819
Loss reserves	660'779	-	660'779
Actuarial reserves	2'541'599	-	2'541'599
Total	**16'981'196**	-	**16'981'196**

5. Insurance payables

CHF	31.12.2017	31.12.2016
Liabilities to policyholders	-	-54'306
Liabilities to agents and brokers	41'404	219'929
Liabilities to insurance companies	-	-
Total	**41'404**	**165'623**

Financial Statement of London General Insurance Company Limited, succursale de Montreux

Notes to the Financial Statements

6. Liabilities to related parties

CHF	Third-party	Management bodies	Shareholdings	Total 31.12.2017
Insurance receivables	-	-	-	-
Other liabilities	1'633'198	-	-	1'633'198
	1'633'198	**-**	**-**	**1'633'198**

CHF	Third-party	Management bodies	Shareholdings	Total 31.12.2016
Insurance receivables	-	-	-	-
Other liabilities	2'178'920	-	-	2'178'920
	2'178'920	**-**	**-**	**2'178'920**

7. Change in technical provisions

Non-life CHF	Technical provisions (gross) 2017	Reinsurers' share 2017	Technical provisions written 2017
Change in loss reserves	15'638	-	15'638
Change in other technical provisions	-29'113	-	-29'113
Change in actuarial reserves	1'381'610	-	1'381'610
Total	**1'368'135**	**-**	**1'368'135**

Non-life CHF	Technical provisions (gross) 2016	Reinsurers' share 2016	Technical provisions written 2016
Change in loss reserves	28'680	-	28'680
Change in other technical provisions	51'701	-	51'701
Change in actuarial reserves	1'023'496	-	1'023'496
Total	**1'103'877**	**-**	**1'103'877**

8. Audit fees

CHF	2017	2016
Audit services	29'600	14'310
Other services	-	-
Total	**29'600**	**14'310**

9. Income from investments

CHF	Income * 2017	Net unrealized gains 2017	Net realized gains 2017	Total 2017
Fixed-interest securities	394'651	-	-	394'651
Others investments	113'717	-	-	113'717
Total	**508'368**	**-**	**-**	**508'368**

CHF	Income * 2016	Net unrealized gains 2016	Net realized gains 2016	Total 2016
Fixed-interest securities	258'539	-	-	258'539
Others investments	112'335	-	-	112'335
Total	**370'874**	**-**	**-**	**370'874**

*Variation between 2016 and 2017 : Some interests incomes were stated net of tax in the 2016 financial statements. Withholding tax was corrected and reclaimed in 2017 on these incomes.

Financial Statement of London General Insurance Company Limited, succursale de Montreux

Notes to the Financial Statements

10. Expenses from investments

CHF	Current expenses 2017	Net unrealized losses 2017	Net realized losses 2017	Total 2017
Fixed-interest securities	18'851	295'045	-	313'896
Other investments		-	49'980	49'980
Total	**18'851**	**295'045**	**49'980**	**363'877**

CHF	Current expenses 2016	Net unrealized losses 2016	Net realized losses 2016	Total 2016
Fixed-interest securities	38'018	295'853	-	333'871
Other investments	1'334	-	66'506	67'840
Total	**39'352**	**295'853**	**66'506**	**401'711**

11. Total amount of assets pledged to secure own liabilities, as well as assets with retention of title

CHF	31.12.2017	31.12.2016
Book value of restricted assets :		
- Fixed-interest securities	19'013'278	22'084'613
- Cash	49'575	4'038
Total	**19'062'853**	**22'088'651**