TWG Europe
Single Group Solvency and Financial Condition Report

Period ended 31 December 2019

ASSURANT®

Contents

Introduction

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

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

LGI and LGL are based in the UK. LGI and LGL have trades through branches and freedom of service arrangements in France, Germany, Italy and Spain whilst LGL trades in Germany, Italy and Spain. Both are regulated by the Financial Conduct Authority ("FCA") and PRA. LGI and LGL are both subject to Solvency II ("SII") regulations and are at times referred to in this document as the "SII insurance firms". The group has no other entities that are subject to SII on a solo basis.

This Solvency and Financial Condition Report ("SFCR" or "Report") has been prepared under the requirements of the SII regulations as implemented in the UK by the PRA, which became effective from 1 January 2016.

The SFCR covers insurance and non-insurance business undertaken by the TWG Europe as well as its two SII insurance firms, LGI and LGL. TWGE has obtained a waiver from the PRA allowing the preparation of a single group SFCR rather than being required to prepare individual SFCRs for the Group, for LGI and for LGL. The information in this SFCR contains all of the information that would otherwise have been included in the individual SFCRs. Unless specifically stated, references in this document to TWG Europe or the Group should be assumed to apply equally to the SII insurance firms LGI and LGL.

Assurant, Inc. the ultimate parent company, also has an UK insurance group under AGL Group. The PRA confirmed that they will continue to regulate Assurant Group Limited and TWGE as separate insurance groups.

The SFCR includes the public quantitative reporting templates included in Appendix F of this document.

Terms and acronyms used in this document:

Term	Definition
ARCC	Audit, Risk and Compliance Committee of Assurant Europe Group
Assurant, Inc. or AIZ	Assurant, Inc. the ultimate parent and controlling party of TWGE.
Assurant Europe Group	Assurant Group Limited ("AGL") and TWGE and their respective subsidiaries and their related branches.
Board	The board of directors of LGI
Brexit	The exit of the UK from the EU
CAE	Chief Audit Executive of Assurant, Inc.
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ELC	European Leadership Committee
ESC	Extended Service Contracts
EU	European Union
FCA	Financial Conduct Authority in the UK
GAAP	Generally Accepted Accounting Practices
Group, the Group	TWGE and its subsidiaries, including LGI and LGL and their related branches.
IAS	Internal Audit Services
KFH	A Key Function Holder (KFH) is one which has been identified by the PRA because of their influence within the system of governance.
LGI	London General Insurance Company Limited
LGL	London General Life Company Limited
MCR	Minimum Capital Requirement, calculated as per the Solvency II Directive
MI	Management information
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority in the UK
RMF	Risk Management Framework
RSR	Regular Supervisory Report or "the Report"
SCR	Solvency Capital Requirement, calculated as per the Standard Formula set out in the Solvency II Directive.
SFCR	Solvency and Financial Condition Report
SIF	Senior Insurance Function
SMF	Senior Manager Function: A SMF is one which has been identified by the PRA as having 'significant influence' on the management and conduct of a firm's regulated activities. These are identified in a firm's Governance Map.
SoG	Systems of Governance
Solvency II or SII	The Solvency II Regulations of the EU as implemented in the UK by the PRA
Standard Formula	The Standard Formula calculation of solvency capital requirements for firms not using an internal model or partial internal model as set out in the Solvency II Directive.
TWG Europe	TWG Europe Limited
TWGE/TWGE Group	TWGE and its subsidiaries, including LGI and LGL and their related branches.
TWGSL	TWG Services Limited

Summary

TWG Europe is part of the International business unit of Assurant, Inc. group of companies. Assurant, Inc. is a leading global provider of housing, lifestyle and preneed solutions that support, protect and connect major consumer purchases. A Fortune 500 company with a presence in 21 countries, Assurant, Inc. focuses on the housing and lifestyle markets, and is among the market leaders in mobile device protection; extended service contracts; vehicle protection; pre-funded funeral insurance; renters insurance and lender-placed homeowners insurance.

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

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

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.

Performance for the period

For the year ended 31 December 2019, TWGE made an underwriting profit of £1,267,000 (2018:£593,000 - Profit) under UK generally accepted accounting practices (GAAP). LGI made an underwriting profit of £1,377,000 (2018: £72k - Profit) and LGL an underwriting loss of £110,000 (2018: £521,000) under UK GAAP.

Further details are provided in Section A.

Risk Management

As a provider of insurance products and services to a variety of corporate and individual clients, risk management is an integral part of Assurant Europe Group’s business processes.

The risk strategy is owned by the Board, and it is the Board’s responsibility to ensure that the business strategy and risk strategy do not diverge. The Risk Function has responsibility to report divergence to the ARCC together with the appropriate recommendations, including risk mitigation, which could include reassessing risk appetite.

Assurant Europe Group employs a comprehensive Risk Management Framework that includes a full range of policies, procedures, measurement, reporting and monitoring techniques to ensure that the risk exposures that arise from operating the Group’s business are appropriately managed.

All employees are required to follow the Risk Management Framework and risk management policies and procedures.

The Risk function is responsible for overseeing implementation of the risk strategy and challenging the risks inherent within the business strategy.

Capital and Solvency

TWGE, LGI and LGL calculate their solvency capital requirement (SCR) using the Standard Formula. Own Funds, including the calculation of technical provisions, are calculated based on the valuation requirements set out in the SII Directive.

The capital positions of TWGE and the two SII insurance firms are summarised below:

As at 31 December 2019 £'000	TWGE	LGI	LGL
Available Own Funds	110,058	90,766	5,161
Eligible Own Funds to meet the MCR	110,058	90,766	5,161
SCR/MCR (for LGL only)	50,965	46,245	3,187
Solvency Ratio %	**216%**	**196%**	**162%**

As at 31 December 2018 £'000	TWGE	LGI	LGL
Available Own Funds	101,047	90,036	4,536
Eligible Own Funds to meet the MCR	101,047	90,036	4,536
SCR/MCR (for LGL only)	59,158	55,985	3,288
Solvency Ratio %	**171%**	**161%**	**149%**

TWGE, LGI and LGL maintained own funds in excess of their SCR and MCR requirements for the full year.

The difference between available and eligible own funds relates to the quantitative restrictions applied under the SII Directive to the amount of Tier 2 and Tier 3 capital that is eligible to meet the SCR and MCR. Further detail is given in Section E.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the single group SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Group must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in section B1 of this document on page 19, confirms that, to the best of their knowledge:

a) Throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group and its solo insurance undertakings continue so to comply, and will continue so to comply in future.

By Order of the Board

Claude Sarfo-Agyare

Chief Financial Officer

17th June 2020

A Business and performance

A.1 Business

Undertakings included in the SFCR

This is the single Group SFCR for TWGE. It covers the business of TWGE on a consolidated group basis, with TWG Europe as the supervised parent company, and individually for the two UK incorporated insurance firms LGI and LGL.

		Legal Form	**Principle activity**
EEA Supervised Group Parent:	TWG Europe Limited	Private Limited company	Holding company
SII Firms:	London General Insurance Limited PRA firm reference number: 212375	Private Limited company	General insurance
	London General Life Limited PRA firm reference number: 202760	Private Limited company	Life insurance

Unless otherwise stated the information in this document should be understood to refer to the TWGE , to LGI and to LGL.

Regulator

TWGE, LGI and LGL are supervised by the PRA in the UK. LGI and LGL are also regulated by the FCA in the UK. PRA and FCA contact details are below:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
0207 601 4878

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS
0800 111 6768

Shareholder

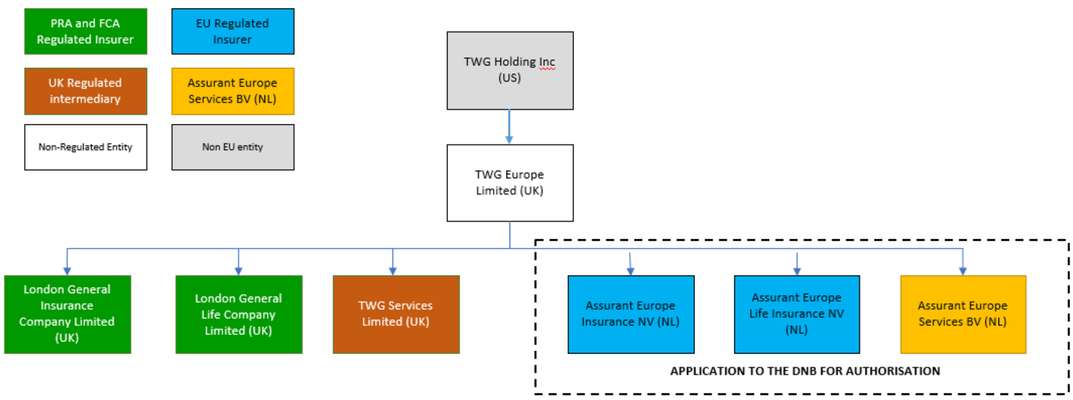
TWG Europe directly holds 100% of the issued share capital and voting rights of LGI and LGL.

TWG Europe's immediate parent undertaking is the US based TWG Holdings, a wholly owned subsidiary of The Warranty Group Inc, also US based.

The ultimate parent undertaking is Assurant, Inc., a publicly listed company on the New York Stock Exchange, registered in Delaware, United States of America.

TWG Europe Group Structure

The scope of the Group included in this SFCR for the purposes of providing consolidated SII and financial statement information is shown in the table below:



TWG Europe, LGI, LGL and TWGSL are considered within this SFSR. The structure chart also includes, within the black dotted line, the recently incorporated Dutch subsidiaries of TWG Europe Limited which are not currently within the scope of this SFCR as they have not yet commenced business activities:

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

Lines of Business and Geographical Areas

TWG Europe is a specialist business focused on insurance underwriting, administration and marketing of three core product lines operating through companies based in the UK and Europe. These are primarily consumer insurance products that are marketed across Europe and are distributed on a Business-to-Business basis through relationships with a range of motor dealers, manufacturers, retailers, financial institutions and other distributors. The Group provides Motor Warranty, including Guaranteed Asset Protection, Appliance & Technology, including warranty, and Creditor, including unemployment, accident and life.

All European insurance operations are conducted by entities that are subsidiaries of TWG Europe Limited collectively known as the TWGE. TWG Europe operates two UK insurance companies, LGI and LGL. LGI is an authorised provider of general insurance contracts. LGI's continued focus of the business growth strategy is with Auto and Appliance and Technology (A&T). LGL is an authorised provider of life insurance contracts. There are now minimal volumes of business through the entity, with no new business sought (only the run-off existing contracts and the renewal of monthly-pay-monthly-cover type products). Also, within the Group is TWGSL, a services company that provides administration to the group and directly to clients.

The majority of TWG Europe's operations are based in the UK and with additional offices in Netherlands, Poland and Italy. The table below shows a subset of the main operating entities. These entities are regulated by the PRA and/or FCA and by the relevant supervisor where applicable for non-UK jurisdictions.

Legal Entity	Country of incorporation and branches	Principal activity	Major lines of business
European Parent Company			
• TWG Europe Limited	• United Kingdom	• European holding company	• N/a
Solvency II insurance entities			

• London General Insurance Company Limited	• United Kingdom
	• Branches
	  • Italy
	  • Poland
	  • Germany
		• General Insurance underwriter	• Fire and Other Property Damage
			• Miscellaneous Financial Loss

• London General Life Company Limited	• United Kingdom
	• Branches
	  • Netherlands
	  • Ireland
	  • Belgium
		• Life Insurance underwriter	• Health Insurance
			• Other Life insurance

Insurance intermediary entities			
• TWG Services Limited	• United Kingdom	• Intermediary and administrator for products underwritten by LGI and other underwriters.	

TWG Europe had 628 full-time equivalent employees at 31 December 2019.

Significant events during the reporting period

UK exit from the European Union "Brexit"

Assurant has received a license from the Dutch regulators to operate in the EU post Brexit. Assurant is committed to providing clients and policyholders in the UK and Europe with its full suite of innovative risk management solutions including insurance and non-insurance related products. Currently, we have market presence within UK and across mainland Europe and we contract with customers within these local markets. Assurant's global expertise is delivered in a culturally sensitive way; aligned to the consumer's need within their local market.

Assurant Europe Group is in the final stages of establishing new European non-life and life insurers in the Netherlands having received a license to operate in the EU from the Dutch regulators in June 2020. The new insurers will begin to underwrite new policies and renew existing policies for both existing EU and new EU clients of Assurant Europe Group's UK insurers during 2020. The move from the existing insurers will be managed in order to minimise the operational risk and disruption to customers, clients and employees.

Assurant Europe Group has commenced Part VII transfers to move any existing non-UK business out of its UK insurers, including LGI and LGL, and into the new insurers. This is expected to complete later in 2020 and will affect any remaining policies that are yet to reach expiry, as at the transfer's effective date. Following completion of the above LGI will cease to have any in-force EU policies.

Dialogue with the supervisors in each member state where Assurant Europe Group has insurance customers will continue throughout 2020.

Other Significant events

Covid 19

Assurant believes that it must continue to do its part to stem the spread of the virus, while also minimising any disruptions to its operations. To that end, as the virus moved from east to west across the world, Assurant implemented a regional, then global ban on business travel and established work-from-home protocols for employees that are able to do so. For those employees that need to work in global facilities, Assurant continues to enforce safety and hygiene protocols, such as social distancing, per the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

Communication throughout this time of uncertainty has been paramount. In addition to communicating with its employees, Assurant has been in direct and regular contact with clients, who also are experiencing the challenges of COVID-19, to ensure Assurant does the utmost to support them and their end-consumers.

Beyond the needs of its employees and customers, Assurant also has been active in maintaining its support within local communities by delivering on its charitable contributions and commitments.

Assurant will continue to evaluate additional actions as the situation evolves.

It remains too early to quantify the impact of COVID-19 on the TWGE's future performance, which will depend on a number of factors including the extent and duration of the period of disruption and the impact on the UK and European economy. At this point, the TWGE remains focused on supporting its fellow group undertakings' employees and its customers through these challenges whilst maintaining its operational and financial resilience.

TWGE maintains a capital buffer, above the solvency capital requirement, to protect against uncertain events. This is monitored and any impact of COVID-19 on the group performance will be regularly assessed.

TWGE continues to serve its customers together with its business partners. Although the UK and EU economy has seen wider adverse effects of COVID-19, the insurance industry has been affected to varying degrees. Business volumes in LGI may reduce as a direct result of declining economic activity. Vehicle warranty business may reduce significantly as distribution channels may see significant reduction in sales and resale activity. LGI may face increased claims costs if it has no other alternative to settle retail goods claims in cash, and if the repair network for motor warranty claims is disrupted.

In LGL, Business volumes will be unaffected as the Company is no longer issuing new policies. LGL may experience a deterioration in claim experience due to a higher number of claims caused by the pandemic.

The COVID-19 crisis has seen increasing credit spreads which adversely affects the market valuation of the TWGE's corporate bond portfolio. The Company is working with its investment advisors, including reviewing the impact of various stresses on the portfolio, to determine the impact and ensure they remain within the Company's risk buffers. Investment advisors have not identified any holdings as being at specific risk of default however they have identified a number of sectors, including for example transport/leisure, as being at risk of downgrade and this continues to be monitored.

Currency exchange rate fluctuations may adversely impact the foreign currency denominated net assets of TWGE the majority of which are in the Euros.

As TWGE distributes products through third parties it has a number of counterparties owing balances although these are usually settled quickly. Reinsurance exposure is primarily with other group companies and therefore the risk is deemed low.

The COVID-19 crisis has affected the UK and EU workforce. Work from home protocols have been established for the majority of staff to provide ongoing customer policy and claims administration services. Contact has been made with third party providers to understand their situation and mitigation plans for the current events and ensure that they can continue to support the firm. A number of providers have implemented work from home mitigations, like most companies globally.

A.2 Underwriting Performance

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

LGI and LGL prepare financial statements under UK generally accepted accounting principles ("UK GAAP"). No consolidated financial statements are prepared for the Group as TWG Europe has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the TWGE are consolidated in the financial statements of the ultimate parent undertaking Assurant, Inc., which are publicly available.

Reference to "financial statements" below should be understood to refer to audited UK GAAP financial statements in respect of LGI and LGL and to proforma consolidated financial statements in respect of TWG Europe.

The underwriting performance of TWGE, LGI and LGL by material SII line of business as reported in the financial statements is set out below:

TWGE Year ended 31 December 2019 £'000	Fire & Other Damage to Property	Miscellaneous financial loss	Health Insurance	Other life insurance	Total
Net Premium Written	10,517	36,582	5,856	(148)	52,807
Net Premium Earned	11,302	58,719	7,272	621	77,914
Net Claims Incurred	(4,606)	(15,951)	(6,115)	(349)	(27,020)
Expenses Incurred	(7,025)	(39,193)	(3,196)	(212)	(49,626)
Net Underwriting Performance	**(329)**	**3,575**	**(2,039)**	**60**	**1,267**

LGI Year ended 31 December 2019 £'000	Fire & Other Damage to Property	Miscellaneous financial loss	Health Insurance	General Business Technical Account
Net Premium Written	10,517	36,582	5,866	52,965
Net Premium Earned	11,302	58,719	7,415	77,436
Net Claims Incurred	(4,606)	(15,951)	(6,101)	(26,658)
Expenses Incurred	(7,025)	(39,193)	(3,183)	(49,401)
Net Underwriting Performance	**(329)**	**3,575**	**(1,869)**	**1,377**

LGL Year ended 31 December 2019 £'000	Health Insurance	Other Life Business	Long Term Business Technical Account
Net Premium Written	(10)	(148)	(158)
Net Premium Earned	(143)	621	478
Net Claims Incurred	(14)	(349)	(363)
Expenses Incurred	(13)	(212)	(225)
Net Underwriting Performance	**(170)**	**60**	**(110)**

TWGE Year ended 31 December 2018 £'000	Fire & Other Damage to Property	Miscellaneous financial loss	Health Insurance	Other life insurance	Total
Net Premium Written	14,327	40,483	7,919	855	63,585
Net Premium Earned	14,852	73,639	11,002	855	100,349
Net Claims Incurred	(8,241)	(18,010)	(6,980)	152	(33,079)
Expenses Incurred	(9,731)	(50,098)	(6,355)	(855)	(67,040)
Net Underwriting Performance	**(3,119)**	**5,531**	**(2,333)**	**152**	**230**

LGI Year ended 31 December 2018 £'000	Fire & Other Damage to Property	Miscellaneous financial loss	Health Insurance	Total
Net Premium Written	14,327	40,483	7,937	62,748
Net Premium Earned	14,852	73,639	11,020	99,512
Net Claims Incurred	(8,241)	(18,010)	(7,009)	(33,260)
Expenses Incurred	(9,731)	(50,098)	(6,351)	(66,180)
Net Underwriting Performance	**(3,119)**	**5,531**	**(2,340)**	**72**

LGL Year ended 31 December 2018 £'000	Health Insurance	Other Life Business	Long Term Business Technical Account
Net Premium Written	(18)	855	837
Net Premium Earned	(18)	855	837
Net Claims Incurred	29	152	181
Expenses Incurred	(5)	(855)	(860)
Net Underwriting Performance	**7**	**152**	**158**

The analysis of the long-term business technical account for TWGE and LGL excludes investment income and tax charges/credits that are attributed to long-term business for the purposes of statutory reporting.

For purposes of the consolidation, commission and other expenses paid by the SII insurance entities to other Assurant Europe intermediary and service companies have not been eliminated from the underwriting result and so the figures are in line with those reported in the reporting templates S.05.01 and S.05.02 in Appendix F. The equivalent commission and fee income in the intermediary and service companies and their own expenses e.g. staff wages, sub-broker commissions, overheads etc. are reported as other income and expenses and noted in section A.4 below.

Analysis of premium, claims and expenses by full SII line of business are included in templates S.05.01 for TWGE, LGI and LGL in Appendix F.

Results and performance

Consolidated

The underwriting performance of the two SII insurers is discussed below.

LGI

In 2019, the Company's gross written premiums reduced by 18% to £82,355,000 from £100,328,000 in 2018. £13,448,000 of this reduction can be attributed to vehicle protection and extended warranty lines of business, following Assurant's strategy to expand its business for other lines of business. Further, £4,396,000 of reduction was due to the run off of the creditor business.

The Company's net earned premiums reduced by 23% to £77,435,000 from £100,273,000 in 2018. This was due to the reduction in written premiums as above. The combined ratio has improved compared with the prior year at 96%, as the Company has been able to reduce expenses as the volume of business has reduced. This, together with reductions in claims costs and commissions, has resulted in a 321% increase in underwriting profit to £2,362,000 from £561,000 in 2018.

LGL

Gross written premiums returns are negative due to single premium cancellations. Gross written premium is (£158,000) compared to £842,000 the year before. This is due to the Company ceasing to write new business in 2018.

Analysis by geography

All general insurance business is underwritten in the UK and Europe and all risks are located in UK and Europe. All long-term business underwritten by LGL is underwritten in UK and Europe and all risks are located in UK and Europe.

An analysis of premium, claims and expenses by material country of risk location is provided in the template P.05.02 in the appendices.

A.3 Investment Performance

LGI and LGL's investment portfolio are made up of a mixture of fixed rate government gilts, corporate bonds and a small amount of collateralised securities. In addition, both entities hold short term investments in collective investment undertakings, being money market liquidity funds with next day access, and other short term cash deposits. All investments are made subject to the Group's agreed financial risk policies.

TWGE's investment strategy is to hold the majority of investments to maturity where possible in order to provide certainty of the future income stream. Maturities and investment income are generally reinvested back into the portfolio where they are not used to fund payment of claims and other expenses.

As bonds purchased several years ago mature, when available coupon rates were significantly higher than those currently available, funds are reinvested in bonds that deliver significantly lower returns based on current market availability. As a result investment income in future years is expected to be lower than in the current period. TWGE projects investment income over the planning period based on the existing portfolio and expected returns.

TWGE As at 31 December 2019 £'000	Dividend income/(expense)	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	-	1,005	(1,044)	372	333
Corporate Bonds	-	2,126	(920)	2,826	4,032
Collateralised Securities	-	11	-	2	13
Collective Investment Undertakings	13	310	-	-	323
Total investment income	**13**	**3,452**	**(1,964)**	**3,200**	**4,701**

LGI As at 31 December 2019 £'000	Dividend income/(expense)	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	-	946	(994)	331	282
Corporate Bonds	-	2,066	(907)	2,640	3,799
Collateralised Securities	-	11	-	2	13
Collective Investment Undertakings	13	310	-	-	322
Total investment income	**13**	**3,332**	**(1,901)**	**2,972**	**4,416**

LGL As at 31 December 2019 £'000	Dividend income/(expense)	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	-	59	(50)	42	51
Corporate Bonds	-	60	(13)	186	233
Collective Investment Undertakings	-	1	-	-	1
Total investment income	**-**	**120**	**(63)**	**228**	**285**

TWGE As at 31 December 2018 £'000	Dividend income/(expense)	Interest income / (expense)	Realised gains / (losses)	Unrealise d gains / (losses)	Total
Government Bonds	-	1,147	(488)	(990)	(330)
Corporate Bonds	-	2,588	(547)	(2,063)	(22)
Collateralised Securities	-	14	(32)	(273)	(291)
Collective Investment Undertakings	74	331	-	-	404
Total investment income	**74**	**4,080**	**(1,067)**	**(3,326)**	**(239)**

LGI As at 31 December 2018 £'000	Dividend income/(expense)	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	-	1,217	(471)	(967)	(221)
Corporate Bonds	-	2,660	(542)	(1,962)	156
Collateralised Securities	-	14	(32)	(273)	(291)
Collective Investment Undertakings	74	331	-	-	404
Total investment income	**74**	**4,222**	**(1,045)**	**(3,203)**	**48**

LGL As at 31 December 2018 £'000	Dividend income/(expense)	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	-	(70)	(17)	(22)	(110)
Corporate Bonds	-	(72)	(4)	(101)	(177)
Collective Investment Undertakings	-	-	-	-	-
Total investment income	**-**	**(142)**	**(22)**	**(124)**	**(287)**

Investment expenses include fees payable to the investment fund manager and an allocation of costs of the TWG Europe treasury function:

Investment expenses £'000	TWGE	LGI	LGL
Year ended 31 December 2019	(392)	(371)	(21)
Year ended 31 December 2018	(285)	(268)	(17)

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 (another 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) **Year ended 31 December 2019**	TWGE	LGI	LGL
Net foreign exchange gains/losses	(378)	(345)	(39)
Administration fees - fellow group undertakings	6,717	-	-
Administration fees - third parties	9,137		-
Other income	4,009	47	-
Gain/(loss) on sale of fixed assets	-	-	-
Total Other Income	**19,485**	**(298)**	**(39)**

Other Income (£'000's) **Year ended 31 December 2018**	TWGE	LGI	LGL
Net foreign exchange gains/losses	9	(175)	10
Administration fees - fellow group undertakings	6,029	-	-
Administration fees - third parties	9,200	-	-
Other income	7,946	527	-
Gain/(loss) on sale of fixed assets	(29)	-	-
Total Other Income	**23,155**	**352**	**10**

A.5 Any other disclosures

None.

B System of governance

B.1 General governance arrangements

Governance Framework Overview

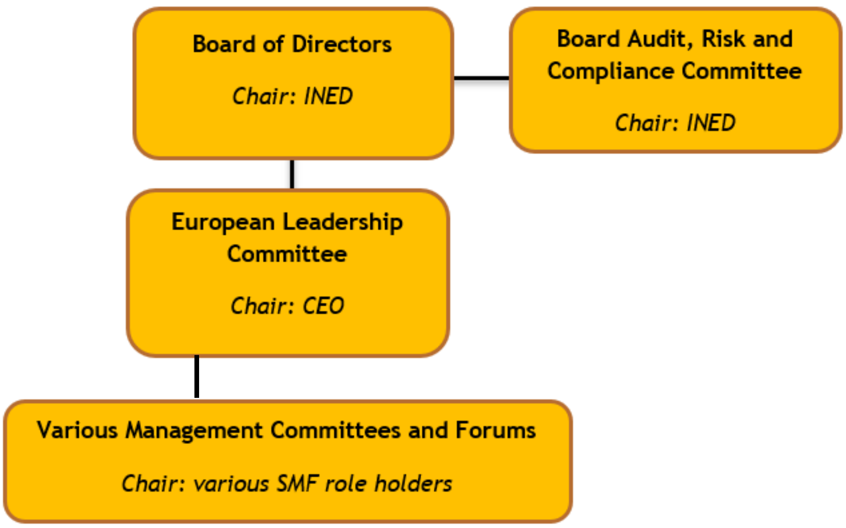
Assurant Europe Group operates a common internal governance framework across all of its entities, countries and lines of business. The framework is organised in a manner relevant to business activities and size, factoring in specific local requirements as necessary.

Board and management committees exist to direct, control and oversee activities in key areas such as:

- Strategy and business plans (setting, execution and monitoring thereof);
- Audit, risk and compliance; and
- Day-to-day business activities and performance including:
    - Financial performance;
    - Sales and client management;
    - Customer experience;
    - Risk management;
    - Solvency, capital and reserving;
    - People and culture;
    - Data governance;
    - Investments and treasury; and
    - Technology change.

The governance framework was re-designed and amended with effect from 1 January 2019 to incorporate control and oversight of four UK entities which AIZ acquired from The Warranty Group in May 2018. The activities of these entities were absorbed into existing board and management committees, ensuring alignment of governance between the acquired entities and the wider Assurant Europe Group.

During 2019, the governance framework was organised through the following key bodies:



Board

Structure and Membership

Although each entity has a separately constituted board of directors, Assurant Europe Group operates a combined operating board structure with common directors across its core UK entities to enable aligned oversight and supervision of the Assurant Europe Group. The Assurant Europe Group Board, with support from its Committee, oversees the whole of the Assurant Europe Group, except where reserved matters and/or specific local requirements dictate otherwise.

The Board is composed of an appropriate combination of Executive Directors, Group Non-Executive Directors and a sufficient number and quality of Independent Non-Executive Directors who between them have sufficient breadth of understanding of the business to provide effective challenge.

The following were members of the Boards of TWGE during 2019:

Director	Role	Approved Function	Notes
Colin Martin Kersley	INED	SMF9 – Chairman (from 1/11/2019) SMF10 - Chair of the Risk Committee (until 1/11/2019) SMF11 - Chair of Audit Committee (until 01/11/2019)	
Stuart Edward Purdy	INED	SMF10 - Chair of the Risk Committee (from 1/11/2019) SMF11 - Chair of Audit Committee (from 1/11/2019)	Appointed to board 01/11/2019
Christian Wesley Formby Hernandez	Executive	SMF1 - Chief Executive Officer (from 4/11/2019)	Appointed to board 04/11/2019
Claude Kwasi Sarfo-Agyare	Executive	SMF2 - Chief Finance Officer	
Michael John Carter	Executive	SMF7 – Group Entity Senior Manager	
Ricardo Jesus Morales-Gomez	GNED	SMF7 - Group Entity Senior Insurance Manager (from 21/01/2019)	Appointed to board 21/01/2019
George Derek Wilson Bartlett	INED	SMF9 – Chairman (until 1/11/2019) SMF7 - Group Entity Senior (Manager 01/11/2019 to 31/12/2019)	Resigned 31/12/2019
Andrew James Morris	Executive	SMF1 - Chief Executive Officer (until 04/11/2019)	Resigned 04/11/2019

Role and Responsibilities of the Board

The overriding collective role of the Board is to promote the long-term sustainable success of the Group, generating value for shareholders through effective governance and assumption by the Board of direct responsibility in the following key areas:

a) Establishment of purpose, values and strategy, ensuring alignment with the desired culture.
b) Ensuring the necessary resources are in place to enable agreed objectives to be met and measuring performance against such objectives.
c) Leadership within a framework of prudent and effective controls which enable risk to be assessed and managed.
d) Engagement with shareholders and other stakeholders.

Executive Directors have an intimate knowledge of the business, whereas Non-Executive Directors bring a wider perspective; with relevant skills and experience of best practices they have a key role in constructively and independently challenging the Board and helping to develop strategy and business plans.

Non-Executive Directors also scrutinise the performance of the Executive Directors in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information, and that financial controls and systems of risk management, are rigorous and robust.

Board Committees

Audit, Risk and Compliance Committee "ARCC"

The Board has established a board-level committee, the ARCC, which is responsible for discharging governance responsibilities in respect of audit, risk, internal control and compliance.

The ARCC is composed sole of Independent Non-Executive Directors, one of whom acts as Chair. Formal and regular meetings are held which include regular reports from Risk, Compliance, External Audit, Internal Audit, Actuarial and Finance.

As per its Terms of Reference, the ARCC's key responsibilities include:

a) Monitoring and reviewing the effectiveness of the internal audit function.
b) Overseeing relationships with external auditors (including their effectiveness and independence) and assessing the integrity of the annual report and accounts.
c) Overseeing the solvency and capital position.
d) Overseeing the whistleblowing and fraud investigation process.
e) Ensuring compliance with legal and regulatory requirements.
f) Overseeing the effectiveness and appropriateness of the risk management and internal control frameworks.
g) Reporting to the Board on how it has discharged its responsibilities.

Management Committees

As explained above, Assurant Europe Group operates a management committee structure to ensure appropriate oversight and control of performance, activity and risks within the business.

The management committee structure is led by the European Leadership Committee (**ELC**) which is responsible for managing and overseeing the day to day business and affairs of the Assurant Europe Group in accordance with the agreed strategy and the authority delegated to it by the Board.

The ELC is chaired by the President and is composed of all Executive Directors plus other senior managers nominated by the President to represent certain business units, geographies and functional areas. Formal and regular meetings are held and relevant outputs are reported to the Board regularly via the President.

As per its Terms of Reference, the ELC's key responsibilities include:

a) Development and execution of strategy and business plans, and monitoring of performance thereof.
b) Ensuring that activities are consistent with the strategy, risk tolerance/appetite and policies approved by the Board.
c) Reporting to the Board (via the President) on how it has discharged its responsibilities.
d) Oversee business functions, ensuring that the business has the necessary resources to meet its objectives.
e) Monitoring the financial position, ensuring that applicable legal and regulatory requirements (including as to capital and solvency) are met.
f) Overseeing business development and new business opportunities.
g) Overseeing client relationships and customer experience.
h) Setting and overseeing the management governance framework.

The ELC has established a number of management sub-committees and forums to assist it in completing the roles and responsibilities assigned to it by the Board. Each committee and forum has a core membership consisting of relevant senior managers and, in general, committees and forums are chaired by the relevant Senior Manager Function (SMF) holder. Each sub-committee and forum is delegated with authority from the ELC to perform certain roles and responsibilities assigned to it within Terms of Reference set by the ELC. The sub-committees and forums are accountable to the ELC but do not relieve the ELC of any of its responsibilities.

Material changes in governance structure

Changes to the Board are detailed in the Structure and Membership table above.

Key Functions

A Fit and Proper Person framework is followed to ensure functions are led by appropriately skilled people. In addition to the directors listed in the previous section, the following officers have also been approved by the appropriate UK regulatory bodies as at 31 December 2019 and all are subject to Assurant Europe Group's Fit and Proper Policy.

A complete list of SMF holders is shown below:

Name	Approved Function
C W Formby-Hernandez	SMF1 - Chief Executive Officer
C Sarfo-Agyare	SMF2 - Chief Finance Officer
M J Schofield	SMF4 – Chief Risk Officer
C T Holmes	SMF5 – Head of Internal Audit
M J Carter	SMF7 - Group Entity Senior Insurance Manager
M Morales-Gomez	SMF7 - Group Entity Senior Insurance Manager

C M Kersley	SMF9 – Chairman
S E Purdy	SMF10 – Chair of Risk Committee SMF11 - Chair of Audit Committee
R Weddell	SMF16 – Chief Compliance
R W Green M B P Prada I M A Soesman P M O'Callaghan P Briodin R M Carson S S Rai	SMF18 – Other Overall Responsibility
W T Diffey	SMF20 – Chief Actuarial function
G A Davies	SMF23 – Chief Underwriter

Remuneration Policy

Assurant Europe Group's ELC oversees remuneration policies and procedures for all staff below Executive level. Executive incentive plans and remuneration policies are governed at an Assurant, Inc. level by people with knowledge of relevant UK laws and regulations. For this reason, there is no UK based Remuneration Committee.

Assurant Europe Group places great value upon the contributions, skills and expertise of its employees and recognises the need to attract and retain the best talent to drive business performance. The remuneration policy not only helps to attract and retain employees but also ensures that the Group has employees with the right skills and qualifications. It also recognises the importance of aligning incentives to encourage appropriate decision making and alignment with the business' objectives and risk management strategy.

Assurant Europe Group's remuneration policy and practices seek to provide incentives to employees that are within the risk tolerance limits of the business and could undermine the effective risk management of the Group and culturally aligned to our values. It is therefore necessary to provide for requirements on remuneration for the purposes of the sound and prudent management of the business and establish remuneration arrangements.

Variable remuneration is performance related; the total amount of the variable remuneration is based on a combination of the assessment of performance of the business and the individual. The performance of the business always outweighs the performance on the individual to ensure appropriate variable remuneration decision making is made.

There are a number of variable remuneration schemes which cover both short and long-term incentive plans. The scheme periods and deferral in respect of the short term schemes are in line with the short term nature of the insurance liabilities the business writes or are linked to client contracts. Each variable remuneration scheme has a different scope of employees and performance measurements. Variable remuneration schemes are aligned to the nature of the role and key responsibilities. Employees are only eligible to participate in either; Head Office bonus, STIP or SIP and one long term incentive scheme i.e. ALTEIP. Below is a summary of the variable remuneration schemes.

Employees are only eligible to participate in one of the short-term incentive plans. Variable remuneration as a percentage of total direct compensation shall not exceed 100% of salary.

The deferral periods for the awards are considered to be appropriate and proportionate to the nature of the Assurant business and to the length of the risk profile described above.

NUS based Directors receive no variable remuneration based directly on the performance of Assurant Europe, their remuneration being linked to the performance of the wider Assurant, Inc. group. Non-Executive Directors receive no variable remuneration.

Transactions with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body.

There were no material transactions with the shareholders of TWGE in 2019.

B.2 Fit and proper

Assurant Europe Group must be able to demonstrate that it employs people who are fit and proper for the professional discharge of the responsibilities allocated to them, to assist in driving the appropriate culture in the business to minimise risk and to ensure sound and prudent management of the business.

Assurant Europe Group acknowledges that fitness and propriety across the business is essential for commercial reputation and customer confidence as well as regulatory compliance. This is ensured by operating consistent procedures during recruitment, and ongoing employment, to be satisfied that an individual:

- will be open and honest in their dealings and is able to comply with the requirements imposed upon them (honesty, integrity and reputation)
- has the necessary knowledge, skills and experience to carry out the function they are to perform (competence and capability)
- is financially sound (financial soundness).

The Group operates a robust recruitment process and carries out the appropriate due diligence on all candidates. Anyone who is being assessed to perform in a SMF or Key Function Holder ("KFH") role is subject to a rigorous review of their fitness and propriety against the role requirements. All assessments with a fit and proper requirement are supported by a HR professional.

The following supporting evidence for every appointment is maintained: CV, Role Profile, and interview notes. For a prospective candidate to be passed as 'fit and proper', in addition to comprehensive interviews, additional checks include: credit checks, checks from the Disclosure and Barring Service (DBS) or Disclosure Scotland, or Access Northern Ireland, proof of qualifications, two references covering at least five years' previous employment; and self-certification regarding Conflicts of Interest.

For appointments for role-holders based outside of the UK, similar checks are carried out locally which are aligned to appropriate legislation.

If the results of any screening are ambiguous and/or give cause for concern, the matter is raised with the prospective candidate to obtain a satisfactory explanation. Concerns are escalated to, and discussed with, the Senior European Compliance Officer, or the Chief Risk Officer. If screening concerns cannot be satisfactorily resolved, any offer of employment is withdrawn.

B.3 Risk management system

Risk Management System

TWGE employs an enterprise wide approach to its Risk Strategy in order to embed a comprehensive and consistent risk management methodology. The objective of TWGE's Risk Strategy is to establish a rigorous Risk Management Framework to ensure that the principles of good risk management are embedded throughout The Warranty Group Europe.

To this end, the management of the organisation at all levels is required to be risk aware and understand that Risk Management is part of all employees responsibilities in delivering the business objectives in an efficient and effective manner in line with an agreed and established risk appetite and enterprise vision and values.

Risk Strategies

TWGE adopts a number of risk management strategies to ensure that the group's Risk Appetite is not exceeded. The choice of strategy varies depending on the nature of the risk and related circumstances. The strategy for each risk type is documented in the Risk Appetite Statement, a Board owned document. These strategies include:

- Risk acceptance: the TWGE Board accepts risks that fall within the boundaries/limits defined in the risk appetite framework. Any risk falling outside the specified limits or boundaries is reviewed to ascertain if the risk appetite requires updating or if an exception should be granted.
- Risk reduction/minimisation: these activities generally relate to control and mitigation activities, and therefore this strategy may include, any or all of the following, the design of new process or accounting controls, contracting controls, changes in product design, improvement in a set of Terms and Conditions, or other changes designed to control and/or mitigate risk.
- Risk transfer: risk is transferred principally through reinsurance agreements. These may include, but are not limited to stop loss, excess of loss, quota share, or other such treaties. Other types of risk transfer can also be considered.
- Risk Avoidance: where an activity is outside the risk appetite of the TWGE, TWGE will seek to avoid exposure to that type of risk.

Process

TWGE works within the three lines of defence model and reinforces the requirement for first line management of risk, with oversight and challenge from the second line risk and compliance functions and third line internal audit function:

Enabling Risk Culture				Risk Management Framework and Process Alignment
	Oversight	Board and Executive	• Establishes risk appetite and strategy • ARCC - Approves risk framework and challenges risk management function	
	3rd Line of Defence	Internal Advisory Services (Internal Audit)	• Provides independent assurance on the effectiveness of first and second line of defence functions	
	2nd Line of Defence	Risk Management Function Compliance Function	• Design, interpret and develop overall risk management framework • Overview of TWGE Risk Registers • Ownership of ORSA Process and Output • Monitor controls in place against key risks • Challenges risk mitigation and acceptance • Reports on Risk exposures, Issues, mitigations and resolutions	
	1st Line of Defence	Business / Functions	• Executive Risk Owners • Owner of the risk management process • Identifies, manages and mitigates risks • Identifies, manages and reports on Issues	

TWGE has implemented a robust governance structure around Risk Management that is proportionate to the scale and complexity of the group.

Business areas are responsible for completing a Risk and Control Self-Assessment or RCSA which contributes to the Risk Register of the business. They update the risk registers on a periodic basis defined in the risk register process, using measurement techniques specified in Assurant's Risk Management Framework.

Management are given authority to manage risks to within the agreed risk appetite. The monitoring processes and controls that operate over the organisation will be complementary to the processes and controls used by the Risk organisation and its committees.

B.4 Own Risk and Solvency Assessment

The risk management processes and systems of the Group are combined and there are no separate processes for its insurance entities. This includes the ORSA process. TWGE has obtained a waiver from the PRA allowing a single group ORSA process. This process covers all the necessary requirements for each SII insurance firm within the group, had it been performed on a standalone basis.

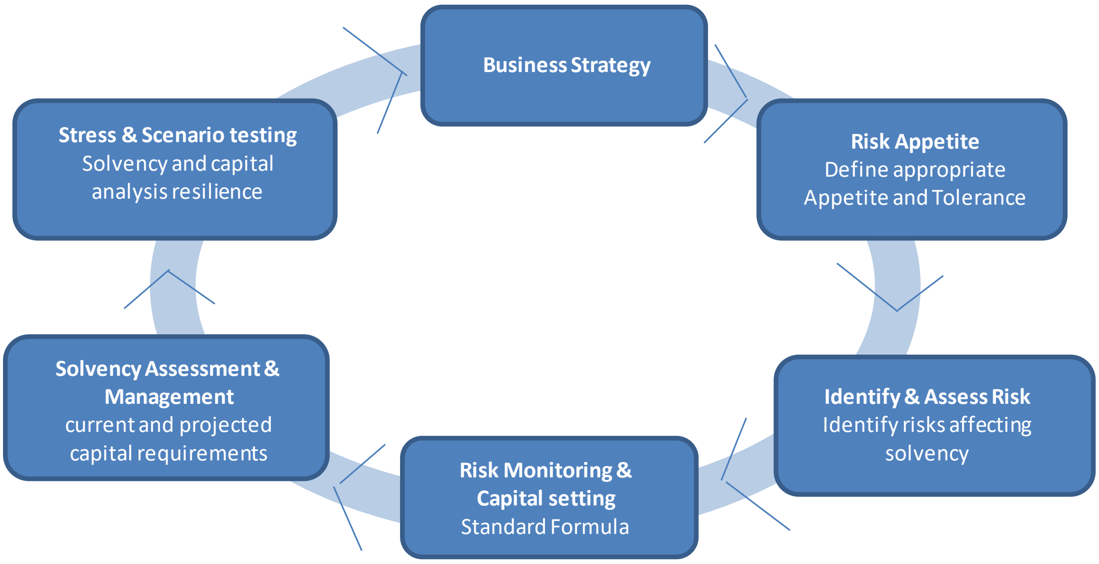
The ORSA is not separate to the Risk Management Framework ("RMF"), but an integral tool to describe the whole risk to the business and, by implication, the ability of the business to meet the funding requirements of its overall business plans including its on-going liabilities now and into the future.

The ORSA is a forward-looking analysis of the TWGE insurance entities' (and group's) short and long-term risks, which is updated regularly to ensure sufficient own-funds to meet the entities' existing and future liabilities, through a combination of risk, capital and solvency projections.

In general the "ORSA process" is one of coordinating with many areas of the business to ensure that the information, data and calculations are available for reporting through to the Results and ensuring that key stakeholders are available to review and comment on the ORSA outputs.

The process is owned and operated by the Risk Function, which has access and continuing understanding and control of many of the key elements that go to make up the ORSA.

ORSA Process



B.5 Internal control

TWGE's internal control system, is designed to provide reasonable assurance that its financial reporting is reliable, is compliant with applicable laws and regulations and its operations are effectively controlled.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. In practice, the oversight and management of these systems necessarily involves participation of the Board, the ARCC, the ELC, senior management, Risk, Finance, Compliance, Legal, Actuarial, business managers, various management committees and Internal Audit.

Primary responsibility for ensuring day-to-day oversight of the internal control system lies with the relevant Senior Manager Functions (SMFs) and Key Function Holders.

TWGE promotes the importance of appropriate internal controls by:

- ensuring that all personnel are aware of their role in the internal control system as per the Governance Map and Fit and Proper Policy;
- ensuring a consistent implementation of the internal control systems across the Group; and
- establishing monitoring and reporting mechanisms for decision making processes. The Risk Management and Controls section above includes a brief description of the internal control systems relating to the risk function.

TWGE has a Public Disclosure and Supervisory Reporting Policy, Risk Management Policy, Underwriting and Reinsurance Policy, Capital Management Policy, Internal Audit Policy, Outsourcing Policy, Compliance Policy, Fit and Proper Policy and Governance Map which set out its internal control systems in more detail.

Compliance

TWGE operates within a financial services regulatory regime in Europe. The regulators define the standards required within the business via their rules and guidance, which cover key areas around customer protection and sustainability – with expectations that these principles are embedded in the culture of the business, driven from the top of the organisation and managed via robust governance frameworks. All TWGE employees are required to have an awareness of the requirements on them within their role to ensure the business meets the standards required in both letter and spirit, with some Senior Management having specific accountabilities and obligations to the regulators.

Good compliance standards and risk management helps the business build trust with customers, and other stakeholders, and promotes a culture where positive individual behaviours ensure the customer is at the heart of the systems and controls which enable good customer outcomes and the identification/mitigation of poor practice.

TWGE's Compliance function's purpose is to ensure that the Group meets the regulatory requirements in the jurisdictions in which it does business. Through engagement with the business leaders and a variety of activities and processes to identify, assess, control, measure, mitigate, monitor and report compliance risks across the Group as a part of its oversight and administration of the Compliance Plan, the Compliance function ensures a strong regulatory compliance culture within the Group.

The function operates independently from the business and is part of TWGE's second line of defence, which specifically provides advice on regulatory requirements and assurance regarding the effectiveness of first line controls. It is led by the Chief Compliance Officer, Europe who reports directly to the International Compliance Officer of the parent group and also has direct access to the Board and ARCC as necessary. The Chief Compliance Officer, Europe provides regular updates on the Compliance monitoring activity to the Executive Committee, the ARCC and the Board.

The Compliance function also owns and develops TWGE's relationships with key regulators, including the FCA and PRA, which includes taking a forward-looking view to manage regulatory change.

B.6 Internal audit function

In May 2018, Assurant, Inc. acquired The Warranty Group ("TWG"). TWG's internal audit function for Europe had been outsourced to external audit firm Mazars LLC (Mazars). Assurant consolidated the internal audit function inheriting the outsourced Internal Audit model. Subsequently, Internal Audit Services ("IAS") engaged Mazars for supplementary co-source audit resources to maintain knowledge of the legacy TWG business, and to execute audit work on behalf of IAS, under IAS methodology, review and instruction.

As such, the internal audit reporting function for TWG is embedded within the fellow subsidiary of Assurant and as such follow the same reporting lines.

Reporting directly to the Assurant Chief Audit Executive ("CAE") and to the Assurant UK Audit, ARCC, the Internal Audit Services ("IAS") function, led by the Head of Internal Audit for Europe (HoIA), is responsible for regularly assessing the adequacy of the internal controls system of LGI and reporting the findings to the Assurant UK Board (via the ARCC).

The bi-annual audit plan is prepared and submitted to the ARCC every six months for review and confirmation. Upon confirmation, IAS distributes the plan to Executive business leaders and executes the plan during the course of the audit plan period. Additionally, at IAS' discretion or at the request of the ARCC, or management, other unannounced audits may be completed.

IAS personnel report directly and solely to the Chief Audit Executive ("CAE") of Assurant, Inc. and the CAE reports directly to the Chair of the Assurant, Inc. Audit Committee; and administratively to Assurant's Chief Legal Officer.

The Internal Audit charter defines the framework for the activities of the internal Audit function and is approved by the Assurant, Inc. Audit Committee.

The internal audit reporting structure and the charter allow IAS to be independent of the functions audited; and it provides IAS full, free and unrestricted access to all operations, records, property and personnel. Additionally, it provides the authority to allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.

Initially the entire risk universe is considered during annual audit planning and subsequent revisions to plan, the highest-risk items are included as risk-based audits. Certain processes, while not rising to a level of significant risk, are still included on a cyclical basis to ensure breadth of coverage over a span of time.

Secondly, risks associated to the audit are identified and their mitigation evaluated via an assessment of the design and operational effectiveness of key internal controls, information systems, governance, risk management, and financial reporting supplemented where necessary by a programme of testing, creating audit programs for every project.

Audit plan activities typically conclude with some form of communication (audit report, memo, or other testing result) addressed to appropriate management of not only the results of the activities, but also management's action plans for remediation and/or improvement. Depending on the scope of the engagement these actions could be in the area of risk management, controls, or corporate governance with action plans obtained from appropriate management which are tracked by IAS until final completion as part of the IAS issues follow-up process.

Senior management have the opportunity to provide responses to audit findings, which are included in the final report, when that format is used to communicate results. The completed reports are made available to executive leadership, the ARCC and the AIZ Audit Committee.

The IAS performs the internal audit functions, including relating to Assurant's insurance processes and activities. IAS typically conducts its audits by business unit or across an entire segment.

B.7 Actuarial function

The actuarial function is responsible for calculating the technical provisions and claims reserves for TWG Europe, as well as calculating the SCR, MCR and ORSA capital on a regular basis. In addition to these key responsibilities, the actuarial function is also responsible for reviewing the appropriateness of insurance product pricing and contributing to the governance committees, capital initiatives and regulatory returns where appropriate.

The function is led by the Chief Actuary. The Chief Actuary has the knowledge and experience, is appropriately qualified, and has the appropriate level of skill necessary to perform this function in accordance with applicable professional and technical standards.

The Chief Actuary coordinates the calculation of technical provisions, provides opinions on the underwriting policy and reinsurance arrangements, and contributes to the effectiveness of the risk management system.

The Chief Actuary provides quarterly and annual reports to the ARCC detailing the methodology, assumptions and results of their work for approval. ARCC is responsible for challenging those assumptions and ensuring that they are appropriate and not unduly influenced by management. The Chief Actuary also has access to the independent non-executives to escalate any issues or concerns.

B.8 Outsourcing

TWGE is supervised on a group basis by the PRA. TWGE operates as part of the overall Assurant Europe Group. LGI and LGI have no employees and all services are provided by other Assurant Europe group companies. The Board of TWGE, the European group parent, and of LGI and LGL are the same and as such these are not considered to be outsourced arrangements.

Many of TWGE's processes are part of wider Assurant, Inc. global activities and staff working and employed in the European business have responsibilities for the European organisation but also report up through the global enterprise structures. Similarly there are employees of the Global enterprise who perform activities on behalf of the European business. These processes include IT services.

Where such activities relate to critical functions, including Internal Audit and Risk where the SMFs are employees of the Assurant, Inc. group as described in the previous sections, those employees are also directly responsible to the European Board for activities performed on behalf of the European business and are therefore also not deemed to be outsourced arrangements.

Assurant Europe Group regularly makes use of third party organisations to provide goods and services to the business in various areas. From time to time, Assurant Europe Group will choose to source services from third parties or from group companies that would normally be provided internally by the Group itself.

The rationale for this choice is frequently reviewed to make the business more efficient and/or bring innovation and new ideas into the business. However, while Assurant Europe Group can engage a third party to provide the service, Assurant Europe Group retains responsibility for ensuring that appropriate performance and quality standards are both set and achieved by the provider and that the services by design and performance deliver fair customer outcomes.

The Outsourcing policy sets out the standards and controls required for selection of providers of this type of arrangement as well as the requirements for ongoing management of these relationships to ensure adequate oversight and governance of performance of the services.

The Assurant Europe Group Outsourcing policy ensures that Assurant Europe Group only outsource services and processes where the risks associated with the relationship and provision of services can be appropriately managed and the service provider (third party or intra-group) can meet our required customer and regulatory obligations and mitigate any risk exposure in the areas of concentration risk and operational risk. Furthermore, any consideration of outsourcing a function or activity will be subject to detailed consideration and a detailed business case requiring executive committee approval before proceeding.

Outsourced function	Jurisdiction
Investment Management Services	UK, US
Administration and claims management	EU

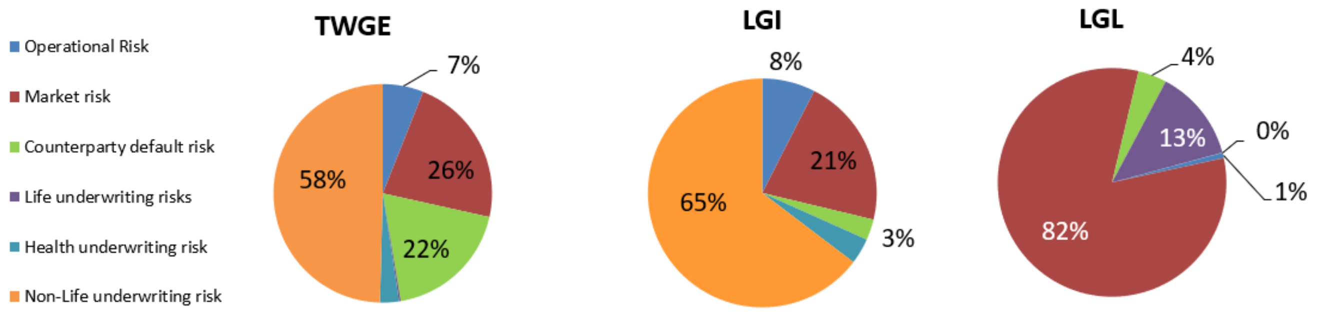
B.9 Any other disclosures

COVID-19 Governance

The Board has continued to operate as described during the disruption caused by the global COVID-19 pandemic using virtual communication technology. An Executive Crisis Management Team ("ECMT"), led by the Chief Strategy and Risk Officer and including key members of senior management, was established at the start of the disruption in line with our business continuity management practice to ensure that decisions and actions are taken in a co-ordinated fashion. The ECMT meets regularly (initially daily) to discuss actions required as a result of COVID-19 and full reports have been made to the Board on a regular basis. Scenario analysis and risk assessment has been completed and reported to the Board and continues to be assessed. Communication has been maintained across the enterprise to ensure that all staff are aware of the latest guidance and actions.

C Risk management

The main risks TWGE, LGI and LGL are exposed to are underwriting risk followed by credit risk due to counterparty default. The charts below show the distribution of the SCR required for the Group and each SII insurer by risk module (excluding the diversification effects between the risk modules).



Each risk type is considered below in turn.

C.1 Underwriting risk

Underwriting Risk is defined as the financial and contractual risks involved when writing or administering insurance policies. Unmitigated, the risk exposure would have a large, material impact on the total risk exposure of TWGE.

Measures used to assess underwriting risk

Premium Risk, the risk that premiums are not sufficient to cover actual claims costs and expenses and to provide TWGE with an appropriate return for the risk taken:

- Expected premiums, claims and expenses (commissions and other acquisition costs, costs to service policyholders and fulfil claims and overheads) are projected three years ahead as part of the annual operating plan and forecast process. Variances between forecast and actual results are reviewed monthly by the senior management team and quarterly by the Board and actions identified and assigned.
- The impact of the 3 year plan on the Group's, LGI's and LGL's future solvency and economic capital position is modelled through the annual ORSA process.
- All new business proposals are assessed by the Pricing team against target returns on capital and approved by a committee comprising at least one Executive Director and representatives from Risk or Compliance.

Reserve Risk, the risk that claims reserves are insufficient to cover the actual costs of claims that have been incurred:

- In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

- The creditor and life books have a longer tail risk profile in respect of both reporting delays (due to the first year being covered by national government) and settlement delays (due to regular claims payments extending over several years). Claim numbers are lower than the miscellaneous financial loss and fire and other damage lines of business, but total quantum is higher. The creditor book constitutes TWGE’s largest class from a claim reserve standpoint
- The run –off of historic claims reserves is reported to the ARCC annually and the cost of any potential reserve increase is included in the annual ORSA process.

Underwriting risk exposure is also assessed and quantified in TWGE’s Standard Formula solvency capital requirement calculation which is completed quarterly.

Material underwriting risks

Non-Life

- TWGE issues non-life insurance policies through LGI with focus on the Auto (insured warranty and guaranteed asset protection) and A&T (consumer electronics and white goods accidental damage and extended mechanical of electrical breakdown warranty) markets.
- Fluctuation in the frequency and severity of insured events, both relating to policies that were underwritten in the period and to unexpired policies from previous periods, present the most material elements of underwriting risk for TWGE.
- In respect of non-life contracts, the business underwritten has limited exposure to catastrophe events. Although warranty policies are longer than 12 months in length, claims are reported and decisions made quickly. Speed of payment of claims reduces the uncertainty surrounding the ultimate claim amounts and reduces the exposure to Reserve risk.

Life and Health Similar to Life Techniques Business:

- LGL issued creditor policies, classified as Life business. LGL ceased writing of new policies in 2018. Its focus is to control insurance risk through appropriate claims control and through setting appropriate reserves.

Risk management

TWGE’s underwriting and reserving policies applies to all companies within the Group. In general, the risk appetite of TWGE is to write high frequency, low severity business.

TWGE has a range of contractual mitigations included within contracts. These include allowance for profit and loss shares with clients.

Due to the nature of the primary business lines insured, it is continually necessary to scan the horizon for emerging risks with regards to changes in customer behaviour and changes in technology. TWGE’s commercial contracts contain controls to protect against any future change in the landscape.

Concentration of underwriting risk

The Group's and insurance firms' policies are held by individuals across a number of geographic areas and it is not exposed to significant insurance concentration risk.

TWGE does not have any material exposure to catastrophe risk.

Risk mitigations

TWGE can seek to use reinsurance treaties to limit underwriting exposure where it exceeds the limits set out in its Reinsurance policy. Any reinsurance treaty or negotiation of terms on existing treaties needs to comply with the requirements of the policy.

Two distinct types of reinsurance are utilised:

- as a mechanism for sharing risks with individual client groups for certain products as part of the relevant commercial relationship ("Client-based Reinsurance"); and,
- for the purposes of broader risk and capital management ("Risk Management Reinsurance").

TWGE will consider any level of risk transfer as is appropriate to the situation.

TWGE does not normally seek to utilise risk mitigation techniques other than reinsurance. Should situations arise where other risk mitigation techniques are considered or present a significant opportunity these will be subject to a full business case review and approval as set out in the policy.

TWGE shall only utilise reinsurance where it provides effective risk transfer and risk mitigation in TWGE's solvency capital requirement calculations.

C.2 Market risk

Market risk is defined as 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.

Measures used to assess market risk

The Group is exposed to market risk and exposures are monitored by the ARCC. The factors that are likely to affect market risk include, but are not limited to, large fluctuations in, or changes to, interest rates, volatility in foreign exchange markets, sudden inflation/deflation, recession, conflict (war, terrorist attack), and political instability.

Management of the LGI and LGL investment portfolios is outsourced to the investment managers, which operate within the agreed mandates set in accordance with the risk appetite and subject to the prudent person principle. The TWGE Treasury function is responsible for monitoring the activities of the investment managers, as well as monitoring and reporting on performance. Material deviations from the mandate or expected risk appetite are escalated through the TWGE system of governance and to the ARCC and Board if appropriate.

The Group's, LGI's and LGL's solvency and economic capital positions are modelled through the annual ORSA process. Market risk exposure is also assessed and quantified in TWGE's Standard Formula solvency capital requirement calculation which is completed quarterly.

Material market risks

TWGE does not seek market risk as a means to increase revenue or profit. Market risk is a necessary aspect of managing the solvency of the business. TWGE is tolerant of market risk as a mechanism to fund policy liabilities and contribute to the growth of surplus and maintenance of capital requirements.

Included within market risk are:

Interest Rate Risk	The fair value of TWGE's portfolio of fixed income securities is inversely correlated to changes in the market interest rates. Thus if interest rates fall, the fair value of the portfolio would tend to rise and vice versa.
Currency Risk	TWGE operates in the UK and in other European countries, via branches and through Freedom of Service, and is also part of a wider United States group. Accordingly its net assets are subject to currency risk. The primary foreign currency exposures are to Euro and United States Dollar. If the value of Sterling strengthens then the value of the non-Sterling net assets will decline when translated into Sterling. TWGE incurs currency risk in two ways: • Operational currency risk - by holding assets and by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies) • Structural currency risk - by operating overseas branches where the currency of the primary environment differs to that of the principal business and being part of an international insurance group
Spread Risk	Spread risk does present a material risk to the business but is closely managed by the use of a suitably diverse investment portfolio. Market value movements or losses caused by the early close out of investments are not considered to be of sufficient materiality to impact solvency.
Property Risk	The Group, LGI and LGL had no exposure to property risk in the year ended 31 December 2019.
Equity Risk	The Group, LGI and LGL had no exposure to equity risk in the year ended 31 December 2019.

Risk management

The investment portfolio is structured so that asset quality is a primary feature rather than investment return. As a result the portfolio is limited to Government Bonds, Sovereign and Sub-Sovereign debt, Collateralised Securities and investment grade Corporate Bonds which are actively traded.

Investments are required to be above investment grade (BBB-) at purchase. Those that fall below investment grade subsequently are investigated with subject matter experts and the costs of early exit are assessed.

The TWGE Board use Assurant Asset Management and BlackRock to manage the investment portfolio. The Group’s requirements for the management of its investment portfolio are stipulated in the Investment Management Agreement with the appointed investment manager.

The investment portfolio mandates reflects TWGE’s risk appetite to mitigate spread risk, and investments are diversified by allocation and quality. The investment managers are given parameters against which they are measured quarterly.

Market risk to the investment portfolio is considered in real time. Risks to the value of investments are discussed quarterly with the investment managers.

Operational and structural currency risk is managed within the Group by broadly matching assets and liabilities by currency. Currency balance sheets are prepared and reviewed by management quarterly.

Concentration of market risk

Concentration of market risk arises when too much exposure is held in assets which respond to similar risk factors. As noted above, TWGE seeks to diversify its market risk exposure and thereby limits concentration of market risk.

Prudent Person Principle

TWGE's investment practices incorporate the principle of 'Prudent Person'. Accordingly the Board requires that the investment manager appointed to manage the investment portfolio only invests in assets and financial instruments whose risks TWGE can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs performed as part of the ORSA.

Risk mitigation techniques used for market risk

TWGE does not use any derivatives or other specific risk mitigation instruments to manage its market risk exposure.

C.3 Credit risk

The Group, LGI and LGL are exposed to credit risk via:

- default or delay in payments due upon cash;
- reinsurance counterparties failing to meet financial obligations or entering into restructuring arrangements that may adversely affect reinsurance recoveries; and
- default or delay of repayment of loans and receivables.

LGI and LGL are also exposed to credit risk in respect of amounts from other group companies.

TWGE considers the credit risk of holding assets in interest bearing investments as part of market risk. Refer to the market risk section above for further information.

Measures used to assess credit risk

Exposures to all counterparties are analysed each quarter and assessed and quantified in TWGE's Standard Formula solvency capital requirement calculation. The output from the resulting analysis is presented to the ARCC, detailing any material changes from the previous period.

Material credit risks

TWGE's maximum exposure to credit risk is represented by the values of financial assets included in the balance sheet at any given point in time. See also section D1 for details of the financial assets for TWGE, LGI and LGL at the reporting period end.

Risk management

TWGE holds cash balances with a number of banks within Europe but diversifies its exposure to ensure that any bank failures do not materially impact liquidity.

Holdings must follow the Credit Risk Policy, which requires cash holdings to be held in counterparties classified as investment grade or above by the main ratings agencies of Moody's, Fitch and/or S&P.

Third party reinsurers are required to be credit scored at 'A' (or equivalent) by two out of three of the main rating agencies (Fitch, Moody's or S&P) or be SII regulated in the EU, and in compliance with their solvency capital requirements, in order to be accepted unless appropriate collateral is provided to mitigate the exposure as laid out in the Reinsurance Policy.

The Group extends payment terms to clients and will have significant amounts due from clients from time to time.

Concentration of credit risk

Balances outstanding with clients who collect premiums on TWGE's behalf generally represent the biggest credit exposures outside of cash holdings, but these can vary significantly, not only from client to client, but from time to time. These amounts are monitored on a monthly basis.

Investments in structured entities - collateralised securities and money market funds

The Group has some exposure to collateralised securities through its investment fund which is managed by external specialist investment managers and exposure is controlled through the investment management agreement.

The use of these products allows the Group to broaden the diversification of its investment portfolio in a cost efficient manner.

Risk mitigation techniques used for credit risk

TWGE does not use any specific risk mitigation techniques in respect of credit risk.

C.4 Liquidity risk

Liquidity risk is defined as the risk that TWGE will have insufficient liquid assets available to meet liabilities as they fall due.

Measures used to assess liquidity risk

Liquidity risk is managed by the Group's Treasury management team. Future working capital and regulatory capital requirements are forecast monthly. The TWGE Board conducts stress testing scenarios to examine the effect on liquidity levels of various adverse business conditions.

Material liquidity risk

TWGE's exposure to liquidity risks is related to its ability to convert and access its assets, and in particular its bond portfolio, collective investment fund (money market) holdings, deposits and cash and cash equivalents.

The TWGE bond portfolio primarily comprises a mixture of UK and European government securities and corporate bonds with investment grade ratings. All the securities are in active markets and should be easily convertible into cash.

Deposits other than cash equivalents comprise short term, up to 30 day bank deposits which are accessible in shorter timescales if necessary. Early access would only result in the loss of more favourable interest returns.

Risk management

The Group holds significant cash balances with a number of banks within Europe, but diversifies its exposure to ensure that any bank failures do not materially impact liquidity. Bank cash holdings must follow the liquidity and concentration requirements set out in the Credit Risk Policy.

TWGE seeks to maintain assets in classes which can be realised into cash easily with minimal impact on asset valuation. All investible assets should be readily realisable and convertible into cash.

Concentration of liquidity risk

The Group has taken action to diversify the risk to assets, accurately forecast cash flow and future liabilities and maintain access to funding from its US parent in order to mitigate liquidity risk.

Risk mitigation techniques used for liquidity risk

TWGE does not use any specific risk mitigation techniques in respect of liquidity risk.

Expected Profit in Future Premium

As required by Article 260(2) of the SII Directive, TWGE calculated the amount of expected profit in future premiums included in the calculation of best estimate technical provisions.

At the end of the reporting period the amount of expected profit in future premiums was as below:

Expected profit in future premiums £'000	TWGE	LGI	LGL
As at 31 December 2019	751	1,590	-
As at 31 December 2018	-	-	-

C.5 Operational risk

TWGE is exposed to operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In particular, this includes the failure of key outsourcing arrangements, business disruption, fraud and loss of key management.

This definition also includes legal risk and reputational risk, as the Group considers reputational risk critical to its franchise and therefore has adopted this broad definition of operational risk.

Measures used to assess operational risk

Operational risks are captured through TWGE's risk register and risk reporting processes as part of the Risk Management Framework.

In assessing capital required in respect of operational risk the Standard Formula SCR uses earned premium and reserves as a proxy for exposure to operational risk. This is a different approach to that adopted in the TWGE ORSA model where individual operational risks are identified and quantified by use of the risk registers. The impact of operational risk on the business is also assessed through the stress and scenario testing carried out as part of the ORSA process.

Material operational risk

TWGE provides products to a large number of individuals through direct brands, through networks of indirect dealers and under clients' own branding. It is critical to the success of the business, and in order to retain existing clients and attract new clients, that client and customer expectations in terms of service and product performance are met and that customer service is central to the operation. Service levels and other key indicators in both the customer contact centres and claims fulfilment supply chain are monitored closely by management to ensure that they continue to be met and that any issues that arise are dealt with. The Group also continues to innovate new products and enhancements to existing products to improve and add value to the offering to clients and their customers.

Clients may be lost due to failure to meet service levels but also clients review and put contracts to a competitive tender process periodically (usually between 3 to 5 years depending on the length of the original contract) where service and product quality are key factors. Failure to meet the expectations of both clients and their customers or competitor action during a tender period could result in the loss of that client and have a material impact on the business. Loss of a material client is included in the ORSA Stress and Scenario testing.

Risk management

TWGE has established policies, processes and controls to manage and mitigate its key operational risks.

The process through which the Group's operational risk universe is determined, and subsequent estimates of frequency and severity are assessed is captured in the Operational Risk Policy. This process safeguards the ongoing improvement of the control environment and ensures that operational risk is identifiable and mitigated as the Group continues to grow.

Risk mitigation techniques used for operational risk

TWGE has a comprehensive insurance programme that provides protection against the majority of material operational risks e.g. property cover, business interruption etc. There are no other specific risk mitigation techniques applied in respect of operational risk.

C.6 Other material risks

The below previous events impact TWGE's risk profile. More detail is provided in Section A.1 Business.

UK Exit from the EU

TWGE is well progressed in the process to establish an insurer in the Netherlands that will have the permissions to write the European book that would have previously been written by LGI and LGL.

COVID-19

TWGE is part of the Assurant, Inc. group. As a global organization, Assurant has been actively monitoring the developments of the rapidly evolving situation resulting from COVID-19. Throughout this period of uncertainty, Assurant has acted swiftly and deliberately to safeguard employees, customers and business operations in line with the Assurant values.

C.7 Stress testing and sensitivity analysis

Stress and scenario testing is a fundamental parts of TWGE's risk framework and is conducted in detail within our Own Risk and Solvency Assessment (ORSA) process. Stress testing is based on a specific set of stresses applied to the business that quantify impact on the P&L and regulatory solvency that cover the spectrum of risk types to which the group is exposed. 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.

The 2020 analysis shows that the most significant plausible yet severe stress for the TWGE group is a reinsurance default of the main (quota share) reinsurance arrangement leading to an increase in the future net earned premium and thus an increase in the forecast SCR. Management and the Board consider this stress an significant but plausible and supports the focus on ongoing monitoring of loss ratio for the business.

The test assumed that there was an instantaneous default of the reinsurer in year one. The impact is an increase in the SCR of around £5m per year with a resultant reduction in solvency ratio over the planning period.

Assurant manages its solvency ratio above 100% and uses the results of the stress testing to aid an appropriate level of buffer i.e. capital in excess of the requirement to be held. This is a key element of TWGE's capital management process. As such Assurant is able to withstand each of the stresses and scenarios identified above over a 1 year time horizon.

Reverse Stress Testing (RST) considers extreme situations that could render TWGE's business unviable and works backwards, analysing the triggers and associated controls that would mitigate against such an event.

TWGE has a number of management actions that can be implemented to address adverse situations.

C.8 Any other disclosures

There are no other matters to be disclosed.

D Valuation for solvency purposes

LGI and LGL prepare financial statements under UK generally accepted accounting principles ("UK GAAP"). No consolidated financial statements are prepared for the group as TWG Europe has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the TWGE are consolidated in the financial statements of the ultimate parent undertaking Assurant, Inc., which are publicly available.

Reference to "financial statements" below should be understood to refer to audited UK GAAP financial statements in respect of LGI and LGL and to consolidated proforma financial statements in respect of TWG Europe.

Individual assets and liabilities are recognised and valued separately unless a legal right of set-off exists and the assets and liabilities will be settled on a net basis.

All valuations are made on the basis that TWG Europe, LGI and LGL are going concerns. The Directors have considered the impact of COVID-19 on the operations and going concern assertion.

D.1 Assets

The material classes of assets shown on the SII Balance sheets, the SII values and values for the corresponding assets shown in the corresponding proforma or audited financial statements are summarised in the table below:

As at 31 December 2019 £'000	Solvency II Balance Sheet TWGE	LGI	LGL	Financial Statements TWGE	LGI	LGL
Goodwill & Intangible Assets	-	-	-	10,644	-	-
Deferred acquisition costs	-	-	-	61,783	76,337	-
Deferred tax assets	3,859	1,479	-	3,859	1,347	-
Property, plant & equipment held for own use	2,417	-	-	489	-	-
Investments, comprising:	**185,930**	**177,125**	**8,805**	**184,727**	**175,968**	**8,760**
Bonds comprising:	165,590	158,303	7,287	164,400	152,493	7,242
Government Bonds	37,359	35,016	2,342	37,016	34,695	2,321
Corporate Bonds	127,969	123,024	4,945	127,384	117,797	4,921
Collateralised securities	263	263	-	-	-	-
Equities	403	403	-	412	5,077	-
Collective Investments Undertakings	8,914	7,397	1,518	8,914	7,397	1,518
Deposits other than cash equivalents	11,022	11,022	-	11,001	11,001	-
Loans and mortgages	-	-	-	-	-	
Reinsurance recoverables	18,131	18,123	8	48,707	48,698	8
Deposits to cedants	-	-	-	-	-	-
Insurance and intermediaries receivables	6,626	50	5	42,256	23,183	5
Reinsurance receivables	-	-	-	1,809	1,809	-
Receivables (trade, not insurance)	7,440	3,680	334	3,035	1,848	334
Cash and cash equivalents	49,589	4,532	176	49,605	4,533	176
Other assets	-	-	-	2,605	1,195	45
Total assets	**273,992**	**204,989**	**9,327**	**409,518**	**334,918**	**9,328**

As at 31 December 2018 £'000	Solvency II Balance Sheet TWGE	LGI	LGL	Financial Statements TWGE	LGI	LGL
Goodwill & Intangible Assets	-	-	-	4,325	10	-
Deferred acquisition costs	-	-	-	86,751	98,517	-
Deferred tax assets	3,081	1,662	-	3,081	1,662	-
Property, plant & equipment held for own use	5	4	-	4,345	4	-
Investments, comprising:	**216,774**	**208,024**	**8,739**	**215,241**	**206,556**	**8,739**
Bonds comprising:	179,984	172,827	7,159	183,633	171,347	7,159
Government Bonds	56,047	53,780	2,268	48,293	46,051	2,268
Corporate Bonds	122,003	117,113	4,891	135,340	125,296	4,891
Collateralised securities	1,934	1,934	-	-		-
Equities	405	413	-	422	5,604	-
Collective Investments Undertakings	25,213	23,632	1,581	20,031	18,450	1,581
Deposits other than cash equivalents	11,171	11,152	-	11,154	11,154	-
Loans and mortgages	-	-	-	-		-
Reinsurance recoverables	26,407	26,399	9	57,004	56,995	9
Deposits to cedants	-	-	-	-		-
Insurance and intermediaries receivables	6,853	56	10	39,012	23,334	10
Reinsurance receivables	-	-	-	3,191	3,191	-
Receivables (trade, not insurance)	6,094	2,840	155	1,868	959	155
Cash and cash equivalents	29,931	2,575	196	29,954	2,577	196
Other assets	-	-	-	3,233	1,811	-
Total assets	**289,144**	**241,560**	**9,110**	**448,004**	**395,615**	**9,110**

Goodwill and Intangible Assets

On the SII balance sheet goodwill and intangible assets are valued at zero.

In the financial statements goodwill represents the excess of acquisition costs over the net fair value of identifiable assets acquired and liabilities assumed in a business combination. The cost of the acquisition is the amount of cash paid and the fair value of other purchase consideration. Other intangible assets are initially recognised at cost.

Goodwill and other intangibles are amortised in the financial statements over the expected useful economic lives and tested for impairment at least annually.

Unlisted Equities

TWG Europe's unlisted equities are held at fair value on the SII balance sheet. In the financial statements the investments are held at the lower of cost and net realisable value.

Deferred acquisition costs

The table above includes deferred acquisition costs, which are shown as a separate asset in the financial statements. In the financial statements acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Acquisition costs are deferred to the extent that they are recoverable out of future revenue margins and are amortised in accordance with the pattern of emergence of future related margins.

Under SII deferred acquisition costs are valued at zero.

Deferred tax assets

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax assets are recognised on the same basis for SII and in the financial statements. However valuation differences between SII and the financial statements, upon which the tax is calculated, for technical provisions and in respect of other assets and liabilities give rise to a reduction in the overall deferred tax assets.

The deferred tax assets arise due to net operating losses brought forward from prior years for tax purposes that are available to offset against future taxable profits. Assurant Europe Group reviews the likelihood of recovery of the deferred tax assets based on the expected profitability over the business planning horizon and with due regard to known changes in respect of the relevant tax regulation over that period.

Property, plant and equipment held for own use

Property, plant and equipment is held at depreciated cost in the financial statements. For SII, property, plant and equipment has been valued at net book value. Property leases have been recognised for Solvency II purposes at their right of use value as at year end.

Investments and Loans and mortgages

TWG Europe measures its investments at fair value on the SII balance sheet. The Group uses an exit price for its fair value measurements. An exit price is defined as the amount received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If listed prices or quotations are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use, as inputs, market based or independently sourced parameters. All investments are valued based on quoted prices. A consistent valuation method was applied across all investments.

The difference between the SII value of investments in the table above is due to a difference in the classification of accrued investment income, which is recognised in investments for SII and Other assets in the financial statements.

Reinsurance recoverables

Reinsurance recoverables are valued according to the SII technical provision principles as explained in Section D2.

Deposits to cedants, insurance and intermediaries receivables and reinsurance receivables

Receivables are measured at the undiscounted amount of the cash or other consideration expected to be received, net of any allowance for impairment.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value which is not considered to be materially different to cost.

Other Assets

Prepaid expenses and advance commissions represent the deferral of expenses paid for accounting purposes until they have been deemed to be consumed. In the SII balance sheet these assets are valued at zero unless the Group has a contractual ability to recover all or part of the asset from the third party in result of the termination of the arrangement. Where the group has such ability, the assets are recognised at the contractual amount recoverable less any allowance for impairment. These assets are recognised at amortised cost in the financial statements.

As noted above under “Investments and Loans and mortgages”, accrued investment income is reported as part of Other Assets in the financial statement but is included in the valuation of the related investment for SII reporting.

Any other assets are valued at fair value that is not considered to be materially different to the amortised cost basis as recorded per the financial statements.

Changes to the recognition and valuation bases

There have been no material changes to the recognition and valuation bases in the reporting period.

D.2 Technical provisions

Results

TWGE's technical provisions by material line of business as at 31 December 2019 are set out in reporting templates 12.01.02 Life and Health SLT Technical Provisions (for LGI and LGL) and also 17.01.02 Non-Life Technical Provisions (LGI and LGL).

As at 31 December 2019 £'000	**Fire and other damage to property***	**Miscellaneous financial loss**	**Health**	**Life**	**Total**
TWGE					
Gross best estimate	12,519	50,061	26,576	1,844	91,001
Reinsurance recoverable	(2,532)	(10,514)	(5,085)	-	(18,131)
Net best estimate	9,988	39,547	21,491	1,844	72,870
Risk margin	687	2,725	1,324	24	4,760
Total technical provisions	10,674	42,272	22,815	1,868	77,630
LGI					
Gross best estimate	14,117	56,448	25,540		96,105
Reinsurance recoverable	(2,532)	(10,514)	(5,077)		(18,123)
Net best estimate	11,586	45,934	20,463	-	77,982
Risk margin	687	2,725	1,323		4,735
Total technical provisions	12,273	48,658	21,786	-	82,717
LGL					-
Gross best estimate			55	1,795	1,850
Reinsurance recoverable			(8)	-	(8)
Net best estimate			47	1,795	1,842
Risk margin			1	24	25
Total technical provisions			48	1,819	1,866

As at 31 December 2018 £'000	Fire and other damage to property*	Miscellaneous financial loss	Health	Life	Total
TWGE					
Gross best estimate	15,008	67,469	32,204	2,760	117,441
Reinsurance recoverable	(4,097)	(16,079)	(6,231)	-	(26,407)
Net best estimate	10,911	51,390	25,973	2,760	91,034
Risk margin	728	3,430	1,620	263	6,041
Total technical provisions	11,639	54,820	27,593	3,023	97,075
LGI					
Gross best estimate	15,857	71,468	31,409		118,734
Reinsurance recoverable	(4,097)	(16,080)	(6,222)		(26,399)
Net best estimate	11,760	55,388	25,187		92,335
Risk margin	728	3,430	1,613		5,771
Total technical provisions	12,489	58,818	26,799		98,106
LGL					
Gross best estimate			(11)	2,688	2,677
Reinsurance recoverable			(9)	-	(9)
Net best estimate			(20)	2,688	2,668
Risk margin			7	263	270
Total technical provisions			(13)	2,951	2,938

*direct and proportional reinsurance

Bases, methods and main assumptions

Under Solvency II, liabilities must be valued at the amount for which they could be transferred between knowledgeable parties.

The technical provisions are calculated as the sum of the best estimate provision and a risk margin as required by the Solvency II directive. The best estimate is the probability weighted mean average of all future cash-flows and the risk margin is the cost of providing the solvency capital requirement necessary to support the liabilities.

The liabilities valued in the technical provisions are those associated with existing contracts at the valuation date. Under Solvency II, contracts must be valued if there is a legal obligation to provide cover even if this is before the commencement date of the policy which is different to the approach under UK GAAP.

In order to calculate the technical provisions for each entity, the business is split into a number of homogeneous risk groupings referred to as model points based on the underlying currency, geographic segment, and line of business.

The LGI technical provisions are calculated using a bespoke model built using the Igloo platform. This predicts the expected cashflow for each model point separately for each future year (or 12 month period following the calculation date) until all existing contracts have expired.

Where relevant, management actions should be included in the calculation of technical provisions. Management actions for LGI would include the cancellation of a block of business but this could only occur at the end of a policy period so will not impact the calculation of the Technical Provisions.

The expenses underlying the calculation of the best estimate are based on the assumption that LGI will continue to write new business. Overhead expenses are included in the calculation but are restricted to those which are related to the support of existing policyholders. Expenses which are directly related to existing business include administration expenses (including salaries, IT and property costs) investment expenses, acquisition expenses, including commission, and claims handling expenses.

Expenses are projected as for the cashflow projections and allocated between model points and currency and between earned and unearned exposure.

The inwards and outwards cashflows included in the technical provisions are:

Inwards cashflows:

- Future Premiums for policies past their start date
- Future premium for policies not yet on risk but with a legal obligation
- Recoverables for salvage and subrogation
- Reinsurance recoverables

Outwards cashflows:

- Claims payments payable to policyholders or beneficiaries
- Surrender Value payments
- Expenses incurred in servicing contracts
- Future Reinsurance premiums
- Profit Share payments

The best estimate is split between premiums provisions and claims provision and the results are shown separately. Premium Provisions are established in respect of unearned exposure and Claims Provisions are established in respect of earned exposure.
Premium Provisions are calculated by projecting the cash flows relating to claims which will occur after the calculation date. Future premiums expected on existing policies can be allowed for as cash in-flows when calculating Premium Provisions.

The only future premiums included in the technical provisions are those associated with direct debit premiums that are yet to be collected.

If the cash in-flows exceed the cash out-flows then the Premium Provisions may be negative. This only occurs where there is profitable future premium which can be included in the premium provision calculation.

The standard approach to calculate the gross undiscounted claims cash flow in each future 12 month period is to project the future claim payments in each year by applying a claim payment pattern to the total projected incurred claims. The total projected incurred claims are calculated either as the expected number of claims multiplied by the expected average claim amount or as the expected loss ratio multiplied by the gross earned premium.

Claims Provisions are calculated by projecting the cash flows relating to claims which have occurred prior to the calculation date. The total expected future payments for each model point are calculated using the existing actuarial claims triangulation methods which are used to calculate the claims reserves and incurred but not reported (IBNR) reserves in the UK GAAP financial statements. The cash-flow projections include all future payments relating to these claims, e.g. ongoing monthly payments for existing unemployment and disability claims and the corresponding expenses associated with those claims.

Reinsurance cash flows are calculated by applying the reinsurance treaties for each model point. The reinsurance treaties in place are simple quota share treaties.

The Gross Best Estimate is the discounted Gross Premium Provision plus the discounted Gross Claim Provision, discounted using the EIOPA yield curve appropriate for each currency. The Net Best Estimate is the Gross Best Estimate minus the discounted Reinsurance Premium Provision less the discounted Reinsurance Claim Provision.

The risk margin is the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the liabilities.

The Risk margin is the present value of the SCR discounted using the risk-free rate multiplied by the Cost of Capital rate of 6%.

The SCR at the valuation date is calculated using the standard formula. The calculation of the SCR assumes that the existing portfolio including all current reinsurance remains the same. The SCR for Risk Margin covers underwriting risk for the existing portfolio (i.e. no new business), the credit risk associated with reinsurance, intermediaries and policyholders and operational risk.

The calculation of the SCR for the Risk Margin calculation follows the same methodology as that used to calculate the SCR.

The SCR for future time periods, until the business is fully run off, is approximated based on the assumption that the SCR is proportional to the discounted cash flow excluding risk margin in future years.

The SCR for Risk Margin is calculated for LGI as a whole and is then allocated to line of business in order to be added to the discounted best estimate to calculate the total Technical Provision.

The total Risk Margin is allocated to line of business in line with the SCR calculated for each line of business.

Risk Margins are not required in respect of reinsurance recoverable as risk margins are calculated at a net rate.

Data

The data underlying the calculation of the technical provisions is either taken from the operating systems or from financial statements and financial forecasts. The actuarial function extracts the information and conducts a detailed reconciliation of the data with that held on the source systems and the financial ledger. The process used by the actuarial function to ensure that the data underlying the calculation of the technical provisions is complete, accurate and appropriate for use is subject to external scrutiny as part of the audit process.

Differences between SII and the valuation bases for financial statements

The most material assumptions used in the calculation of the Solvency II best estimates are based on existing Assurant processes which are the same as those used in the preparation of the financial statements.

The methodology for the calculation of the premium provision under Solvency II is fundamentally different to that used in the financial statements. The Premium provision is based on the probability weighted average of future cashflows related to policies within contract boundaries whereas UK GAAP unearned premium reserve is an allocation of premium income to the remaining time to expiry of the insurance contracts already issued. Though not directly comparable the main difference arises due to the recognition of future profit on issued policies and expected profit in future premiums.

Under Solvency II the best estimate technical provisions are discounted, but these are undiscounted under UK GAAP.

No Risk Margin is recognised under UK GAAP.

Under Solvency II additional adjustments are made to allow for Events Not in Data (ENIDs), an estimate for unknown liabilities not yet captured by the actuarial estimates.

The main differences between technical provisions as shown in the financial statements and the Solvency II technical provisions are shown in the chart below:

The main differences between technical provisions as shown in the financial statements and the SII technical provisions are shown in the table below:

All lines of business	TWGE	LGI	LGL
As at 31 December 2019 £'000	Unaudited	Unaudited	Audited
Technical provisions per financial statements*	**75,145**	**74,632**	**1,866**
Inclusion of debtors/creditors not yet due	(3,217)	7,484	
Adjustment to best estimate claims reserves	(1,508)	(1,508)	
Events not in data	1,474	1,474	
Difference in expense assumptions	8,261	4,495	
Discounting	(41)	(41)	
Embedded profit	(7,219)	(8,553)	
Risk Margin	4,735	4,735	
Technical provisions per SII balance sheet	**77,630**	**82,717**	**1,866**

All lines of business	TWGE	LGI	LGL
As at 31 December 2018 £'000	Unaudited	Unaudited	Audited
Technical provisions per financial statements*	**88,357**	**85,419**	**2,938**
Inclusion of debtors/creditors not yet due	(1,105)	6,104	
Adjustment to best estimate claims reserves	(1,501)	(1,501)	
Events not in data	1,580	1,580	
Difference in expense assumption	7,090	3,850	
Discounting	(554)	(554)	
Embedded profit	(2,564)	(2,564)	
Risk Margin	5,771	5,771	
Technical provisions per SII balance sheet	**97,075**	**98,106**	**2,938**

* unearned premium reserve less deferred acquisition costs plus claims reserves and net of reinsurance.

Matching Adjustment

TWGE has not applied the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

Volatility adjustment

TWGE has not used the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

Transitional risk-free interest rate-term structure

TWGE (Including LGI and LGL) has not applied the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC.

Transitional deductions

TWG Europe has not applied the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Reinsurance

Reinsurance recoverables represent the net discounted cash flow expected to be received from TWGE's reinsurers. TWGE utilises a variety of reinsurance treaties, primarily of a quota share nature, in order to share risk by ceding back to a client's captive or to remove risks underwritten that are outside of the group's appetite.

Material changes in the relevant assumptions made in the calculation of technical provisions

No material changes have arisen in the assumptions made in the calculation of technical provisions in the period.

D.3 Other liabilities

Solvency II Other Liabilities **As at 31 December 2019 £'000**	TWGE	LGI	LGL
Insurance creditors, reinsurance creditors and trade payables.	66,248	13,382	2,292
Subordinated loan notes included in basic own funds	-	-	-
Other liabilities	1,925	-	-
Total Other Liabilities	**68,173**	**13,382**	**2,292**

Solvency II Other Liabilities **As at 31 December 2018 £'000**	TWGE	LGI	LGL
Insurance creditors, reinsurance creditors, other financial liabilitities and, trade payables.	55,838	16,782	1,591
Subordinated loan notes included in basic own funds	-	-	-
Other liabilities	-	152	35
Total Other Liabilities	**55,838**	**16,934**	**1,626**

Financial Statements Other Liabilities As at 31 December 2019 £'000	TWGE	LGI	LGL
Insurance creditors, reinsurance creditors and trade payables.	89,016	45,974	2,686
Subordinated loan notes included in basic own funds	-	-	-
Other liabilities	31,487	23,019	1
Total Other Liabilities	**120,503**	**68,993**	**2,687**

Financial Statements Other Liabilities As at 31 December 2018 £'000	TWGE	LGI	LGL
Insurance creditors, reinsurance creditors and trade payables.	84,231	48,501	1,591
Subordinated loan notes included in basic own funds	-	-	-
Other liabilities	36,277	27,473	35
Total Other Liabilities	**120,508**	**75,974**	**1,626**

Deferred tax liabilities

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are recognised on the same basis for SII and in the financial statements. However valuation differences between SII and the financial statements, upon which the tax is calculated, for technical provisions and in respect of other assets and liabilities give rise to differences between the amounts reported.

The deferred tax liability in the TWGE proforma consolidated financial statements relates to deferred tax recognised in respect of goodwill and intangibles arising on consolidation that are being amortised to the UK GAAP profit and loss account over those assets' useful economic lives of up to 10 years. As the assets only arise on consolidation they are not taxable and therefore give rise to a timing difference. Under SII the goodwill and intangible assets are valued at zero and therefore no deferred tax timing difference arises.

Deferred tax liabilities in the TWGE SII balance sheet arise due to the tax impact of the other SII valuation adjustments.

Insurance and Intermediary Payables, Trade Payables and Other Liabilities

For SII, liabilities other than technical provisions are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. When valuing liabilities, no adjustment to take account of the own credit standing of the issuer is made. In the financial statements, liabilities are valued at amortised cost.

There are no material differences between the valuation bases, methods and main assumptions used by TWG Europe, LGI or LGL for the valuation for solvency purposes and those used for the valuation in the relevant financial statements. The small differences in respect of Other Liabilities relates to reinsurance deferred acquisition costs which are valued at zero for SII (refer also to disclosure in respect of deferred acquisition costs in D.1.)

Other liabilities included above relate to accruals, deferred income and other amounts payable that have not been categorised as insurance or trade payables for the purpose of reporting.

TWG Europe, LGI and LGL have no liabilities related to defined benefit pension schemes.

Changes to the recognition and valuation bases

There have been no material changes to the recognition and valuation bases in the reporting period.

D.4 Alternative methods for valuation

No alternative methods of valuation have been used.

D.5 Any other disclosures

There are no material differences between the valuation bases for the consolidated information provided for TWGE and those used for the solo entity information for LGI and LGL.

E Capital management

E.1 Own funds

Capital Management Policy

The group internal capital target is to hold the Pillar 1 SCR, or the requirement identified during the ORSA process if higher, plus a Board approved buffer. Separate buffers are set for TWGE, LGI and LGL. The buffers to be held are set annually, having regard to the results of stress tests applied to projections over the three year planning period. The Board will also consider whether dividend made to remit any surplus capital above the target to TWG Europe's parent or to release capital out of the insurance firms for use elsewhere in the group.

The TWGE's, LGI's and LGL's capital positions are formally assessed quarterly, and reported to the ARCC, to ensure that own funds continue to meet the targets set.

Own Funds

Available own funds for TWGE, LGI and LGL comprise:

As at 31 December 2019	TWGE	LGI	LGL
£'000			
Tier 1	106,200	89,288	5,161
Tier 2	-	-	-
Tier 3	3,859	1,479	-
Available Own Funds	**110,058**	**90,766**	**5,161**

As at 31 December 2018	TWGE	LGI	LGL
£'000			
Tier 1	97,957	98,479	4,536
Tier 2	-	-	-
Tier 3	3,089	1,661	-
Available Own Funds	**101,047**	**100,140**	**4,536**

Tier 1 own funds have three components: share capital, share premium and the reconciliation reserve. The reconciliation reserve comprises retained earnings and other distributable reserves as per the financial statements adjusted for SII valuation differences.

Tier 3 capital comprises deferred tax assets relating to timing differences and unutilised tax losses that are expected to be recovered against future taxable profits.
Available own funds for TWGE increased £9,011,000 during the year due to the performance of the group as described in Section A. LGI available own funds were £730,000 above prior year. LGL available own funds were £655,000 above prior year.

The amount of Tier 2 and Tier 3 own funds that are eligible to be set against the SCR is restricted to 50% of that requirement.

Eligible own funds for TWGE, LGI and LGL comprise:

As at 31 December 2019 £'000	TWGE	LGI	LGL
Tier 1	106,200	89,288	5,161
Tier 2		-	-
Tier 3	3,859	1,479	-
Eligible Own Funds	**110,058**	**90,766**	**5,161**

As at 31 December 2018 £'000	TWGE	LGI	LGL
Tier 1	97,957	88,375	4,536
Tier 2	-	-	-
Tier 3	3,089	1,661	-
Eligible Own Funds	**101,047**	**90,036**	**4,536**

Eligible own funds for TWGE have increased during the year due as described for available own funds above. The Eligible own funds for LGI and LGL are the same as available own funds.

As at 31 December 2019 £'000	TWGE	LGI	LGL
Tier 1	106,200	89,288	5,161
Tier 2	-	-	-
Tier 3	-	-	-
Eligible Own Funds	**106,200**	**89,288**	**5,161**

As at 31 December 2018 £'000	TWGE	LGI	LGL
Tier 1	97,957	88,375	4,536
Tier 2	-	-	-
Tier 3	-	-	-
Eligible Own Funds	**97,957**	**88,375**	**4,536**

Eligible own funds for TWGE to meet the MCR are £106,200 in 2019 (2018: 97,957).

The main differences between equity as shown in the proforma or audited financial statements and the excess of assets over liabilities as calculated for solvency purposes are shown in the table below:

As at 31 December 2019 £'000	TWGE	LGI	LGL
Equity per financial statements	**111,386**	**90,170**	**5,161**
Valuation of goodwill and intangibles	1,064	-	-
PPE Valuation differences	1,929	1,157	
Difference between the valuation of technical provisions on a UK GAAP basis and under Solvency II	8,623	(1,392)	-
Other valuation differences	(13,339)	-	-
Deferred tax adjustment	395	831	-
Excess of assets over liabilities for solvency purposes	**110,058**	**90,766**	**5,161**

As at 31 December 2018 £'000	TWGE	LGI	LGL
Equity per financial statements	**106,486**	**106,040**	**4,536**
Valuation of goodwill and intangibles	(4,325)	(10)	-
PPE Valuation differences		1,487	
Difference between the valuation of technical provisions on a UK GAAP basis and under Solvency II	10,885	(8,186)	-
Other valuation differences	-	-	-
Deferred tax adjustment	(193)	808	-
Excess of assets over liabilities for solvency purposes	**112,853**	**100,140**	**4,536**

Other valuation differences relate to differences between assets and liabilities valued on a Solvency II basis or on a financial statements basis as discussed in sections D.1 and D.3.

Group own funds are calculated on an accounting consolidation basis. There are no items included in Group own funds that are issued by an undertaking other than TWG Europe, the group insurance holding company.

No deductions are applied to own funds and there are no significant restrictions affecting their availability and transferability.

Neither the Group's nor the SII firms' own funds are subject to transitional arrangements and none have ancillary own funds.

E.2 Minimum capital requirement and solvency capital requirement

The SCR and MCR for TWGE, LGI and LGL as at 31 December 2019 are:

As at 31 December 2019 £'000	TWGE	LGI	LGL
Market Risk	16,713	12,133	1,226
Counterparty Default Risk	5,409	1,685	61
Non-Life Underwriting Risk	36,930	36,930	
Life Underwriting Risk	194		194
Health Underwriting Risk	2,078	2,078	1
Sum of risk modules	**61,324**	**52,826**	**1,482**
Diversification between risk modules	(13,830)	(10,059)	(175)
Basic SCR	**47,493**	**42,767**	**1,307**
Operational Risk	3,472	3,478	10
Standard Formula SCR	**50,965**	**46,245**	**1,317**
MCR	**18,577**	**15,390**	**3,187**

As at 31 December 2018 £'000	TWGE	LGI	LGL
Market Risk	12,722	11,475	1,129
Counterparty Default Risk	4,810	1,925	38
Non-Life Underwriting Risk	46,780	46,041	
Life Underwriting Risk	2,175	-	2,175
Health Underwriting Risk	3,673	3,659	7
Sum of risk modules	**70,160**	**63,100**	**3,349**
Diversification between risk modules	(15,777)	(11,555)	(641)
Basic SCR	**54,383**	**51,545**	**2,708**
Operational Risk	4,775	4,440	348
Standard Formula SCR	**59,158**	**55,985**	**3,056**
MCR	**21,419**	**18,131**	**3,288**

The TWGE, LGI and LGL SCRs are all calculated using the Standard Formula and no undertaking specific parameters or simplifications are used.

The TWGE SCR is calculated on an accounting consolidation basis ("method 1") and relates to fully consolidated insurance undertakings, insurance holding companies and other ancillary service undertakings only. There are no components of the Group SCR arising from other entities.

TWGE makes no adjustment for the Loss Absorbing Capacity of Deferred Tax in the SCR calculation.

The MCR has been calculated using the linear calculation as set out in the SII Directive and noted in the accompanying QRTs.

Details of the SCR and MCR calculations, including the MCR inputs and floor, are provided in QRTs S.25.01 and S.28.01 in Appendix F.

TWGE's SCR has reduced £8,187,000 in the year. Underwriting risk has reduced over the reporting period driven by; reduced premiums from clients in run-off (Fiat, Mainland Europe, and MediaExpert, Poland), changes in the Solvency 2 regulations (reduction in charge to multi-year business not yet incepted), partially offset by the increase the USP (Undertaking Specific Parameters) factor from 9.02% to 9.40% as a result of the annual refresh. Market risk has increased through the year due to an increase in Euro cash holdings in preparation for the new Assurant Europe entities in the Netherlands, as part of Assurant's Brexit plans. The increased Euro cash holdings increases the capital requirement due to increased currency risk exposure. The MCR has reduced due to the reduction in net written premiums during the year and net best estimate, two of the inputs used for the calculation of the solo entities feeding into TWGE.

LGI has experienced the same decrease in the Underwriting risk module of the SCR, driven by the same reasons as mentioned for TWGE. The MCR for LGI is the linear MCR and therefore moves in line with the movements in net written premiums and net best estimate.

LGL's SCR has fallen due to the reduction in exposure (running off of policies) over the reporting period. However, as the SCR is below the MCR, SCR movements do not affect LGL's capital requirement. The MCR is at the absolute floor required by the SII regulation, which is based in Euros, and only changes when the Eurosterling rates that firms are required to apply in the calculation change, which occurs annually.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Neither TWGE, LGI nor LGL make use of the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Differences between the standard formula and any internal models used

The Standard Formula is used in the calculation of the group SCR and the solo SCRs for LGI and LGL.

E.5 Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement

During the year there were no instances of non-compliance with either the SCR or MCR for the TWGE, for LGI or for LGL.

E.6 Any other disclosures

COVID-19

As described in Section A.1, there are various risks that may arise due to the disruption caused by COVID-19. Management is monitoring the impacts of these on the Group’s and SII insurers’ capital position and plans.

There is no other material information to disclose regarding the capital management of the TWGE, of LGI or of LGL.

F. Appendices

Public Group QRTs – TWGE, London General Insurance Company Limited, London General Life Company Limited