Travelers Insurance Designated Activity Company

2019 Annual Report

Contents

The Company

Directors		*Nationality*	*Appointed*	*Resigned*
Anthony Coughlan		Ireland	30 March 2019	08 July 2019
Brian Lehane	(Independent Non-Executive)	Ireland	08 July 2019	
Gary Dibb		Canada	30 March 2019	08 July 2019
Ian Britchfield	(Independent Non-Executive)	Ireland	08 July 2019	
James Liston		Ireland		
Kevin Smith		USA		
Maria Olivo		USA	30 March 2019	

Company Secretary		
Esterina Fiore	Britain	08 July 2019
John Abramson	Britain	

Registered Office
Third floor Block 8
Harcourt Centre
Charlotte Way
Dublin 2
Ireland

Registered in Ireland No 620416

Bankers
Barclays PLC
1 Molesworth St
Dublin 2
Ireland

Auditors
KPMG
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

Solicitors
Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Directors' Report

The Directors present their annual report together with the audited financial statements for the 12 months ended 31 December 2019.

Principal activity

In 2019, Travelers Insurance Designated Activity Company (the "Company") wrote commercial lines insurance in the Republic of Ireland, and in the United Kingdom ("UK") through its branch located in London. The Company also covered risks located outside of Ireland and the UK, on a freedom of services basis (in the EEA) or by facultative reinsurance (outside of the EEA), generally in support of its Irish and UK based insureds. The Company started transacting business on 1 April 2019.

With effect from 1 April 2019 the Company put in place a reinsurance arrangement with it's immediate parent undertaking, Travelers Insurance Company Limited ("TICL"), in the form of an 80% Whole Account Quota Share ("Quota Share").

On 1 October 2019 the business written through the TICL branch in Ireland, its run-off branches in Netherlands, France and Germany, and the associated gross and ceded technical balances were transferred to the Company via a business transfer scheme under Part VII of the UK Financial Services and Markets Act 2000. The business transferred was then reinsured back to TICL by way of the Quota Share reinsurance agreement mentioned above. See note 29 for more information.

Business review and results for the year

The Company received authorisation from the Central Bank of Ireland in January 2019, and commenced trading on 1 April 2019. During the Company's first 9 months of trading it reported a profit of €176.0 thousand (2018 non-trading loss €9.0 thousand) and a combined ratio of 101.8%.

Gross written premiums ("GWP") were €103.0 million. The two most material lines of business were Third Party Liability and Fire and Other Damage to Property, which respectively comprised 69.5% and 22.6% of GWP in 2019. Further information on the split of GWP by line of business and geographical location of insurance risk can be seen in Note 4.

Net earned premiums ("NEP") were €7.4 million for 2019. Claims incurred and operating expenses were €4.2 million and €3.3 million respectively, with a loss ratio of 56.4% and an expense ratio of 45.4%.

Financial Instruments

The investment return was €330.8 thousand (2018 €3.0 thousand). The Company invests in high quality corporate and government bonds with an average credit quality of AA. The Company expects low investment returns for the foreseeable future, which underlines the importance of achieving underwriting profits to achieve its target level of returns. Investments under management at 31 December 2019 totalled €80.7 million (2018 €6.1 million).

Trading environment and future developments

The trading environment through 2019 has been challenging. The Company will continue the activities TICL had commenced with respect to the business transferred, focusing on improving underwriting profitability through managing the mix of business written towards the higher margin products.

Capital management

During the year a capital injection of €30.3 million, which was inclusive of share premium of €1.3 million, was received from the Company's parent, TICL, in return for the issuance of 29 million new shares of €1 each. This capital injection was in part consideration for the business transferred into the Company by TICL. The Company also received capital contributions totalling €30.0 million in September 2019. Both the capital contributions and the capital injection support the Company's regulatory capital requirements.

The Company's financial strength is strong with net assets improving during the year to €65.8 million (2018 €6.1 million). As of 6 April 2020 the Company's financial strength ratings are A++ (Superior) from AM Best and AA- from Standard and Poor's.

Dividend

During 2019 the Company did not pay a dividend (2018 €nil).

Brexit

The Company was established as a subsidiary of TICL in 2018 in order to enable the European operations of the ultimate parent company, The Travelers Companies, Inc., to continue servicing it's European customers. The Company received its authorisation from the Central Bank of Ireland in January 2019 and commenced trading from 1 April 2019. The establishment of the Company allows Travelers Europe to continue to access the European market on a freedom of services basis following the departure of the UK from the European Union ("EU").

While the departure of the UK from the EU was finalised on 31 January 2020, there remains in place a transition arrangement until 31 December 2020. However, there remains uncertainty with respect to what arrangements will be in place post 31 December 2020. As such the Company will continue to monitor the situation.

Post balance sheet events

Following year end, a global pandemic was declared due to the spread of a coronavirus ("COVID-19"). COVID-19 has already caused significant investment market uncertainty and volatility, supply chain interruptions and is expected to significantly disrupt the global economy. We currently do not expect that insured losses related to COVID-19 will have a material impact on the Company's financial condition and due to the nature of our investment portfolio, we believe we are well placed to withstand investment market volatility. However, the length and depth of the disruption to the economy is a concern and we will be monitoring developments closely.

Directors' Report *continued*

Post balance sheet events *continued*

Economic downturns and financial disruptions in the past have resulted in, among other things, decreased business volumes, reduced valuations on the investment portfolio and heightened credit risk which can impact both the Company's investment portfolio and its insurance operations. In addition, declines in interest rates may lead to declines in fixed income yields, which would adversely impact the Company's net investment income from future investment activity. Also, the Company is subject to the risk of court cases and legislative or regulatory action interpreting or mandating coverage for business interruption claims which insurance policies do not currently cover. Our focus is the well-being of our staff and our ability to continue to provide service to our insureds. The Company is taking appropriate actions to safeguard employees and ensure it can continue to serve its insureds.

Principal Risks and Uncertainties

The Board sets the risk appetite and reviews it on a formal basis annually as part of the business planning process. This is reviewed on an ongoing basis as part of its regular business review processes. The Company has a Board Risk and Remuneration Committee and management participates in a European Executive Risk Committee which meet regularly to review and update risks and issues arising from the risk register and to monitor performance against risk appetite using a series of key risk indicators. The European Executive Risk Committee consists of members of management from The Travelers Companies, Inc. European operations. The principal risks and uncertainties facing the Company are as set out below.

Insurance risk

Insurance risk relates to underwriting, claims management and the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

The Company manages insurance risk by setting an appetite annually through the business planning process, which sets down targets for underwriting volumes, pricing sufficiency and retentions by class of business. Management monitors performance against the business plan throughout the year. The Company uses catastrophe modelling software to model the maximum probable loss from catastrophe exposed business. Reserve adequacy is monitored through quarterly internal actuarial review. The European Underwriting Committee oversees underwriting risk and the Finance Committee oversees reserving risk. The European Underwriting Committee consists of members of management from The Travelers Companies, Inc. European operations.

Credit risk

The primary source for credit risk arises from the risk of default by one or more of the Company's reinsurers or investment counterparties. The Company benefits from The Travelers Companies, Inc. European policy for the selection of reinsurers and managing the quantum of exposure ceded to an individual reinsurer. The Company has a conservative appetite to investment counterparty credit risk. Exposures to individual investment counterparties are monitored against agreed limits and the overall investment portfolio has an average credit quality of AA. The Finance Committee oversees this risk type.

In addition, the Company has an 80% Quota Share reinsurance arrangement in place with its immediate parent company, TICL. To reduce the risk associated with the material credit exposure to TICL, a collateral arrangement was put in place between TICL and the Company. The arrangement requires that the premium paid to TICL by the Company be held within a collateral account for a period of at least two years before it can be released. Claims payable relating to this Quota Share reinsurance arrangement can be funded from the collateral account. Premiums are only released from the collateral account if they exceed the value of the related case reserves and IBNR.

Market Risk

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the Finance Committee.

Operational Risk

The primary source of operational risk is the failure of people, processes or systems. These risks are managed through well documented policies and procedures, sound internal control processes and business continuity management procedures. Operational risks are monitored by the European Executive Risk Committee.

Regulatory Risk

Regulatory risk comprises the failure to comply with relevant regulations and laws. During the year the Company was in full compliance with the capital requirements imposed by its regulator, the Central Bank of Ireland. There were no changes in the Company's approach to capital risk management during the year. The Company is in full compliance with its regulatory capital requirements under the Solvency II regime.

Conduct Risk

Conduct risk is the risk that the Company (or its agents) will fail to pay due regard to the interests of its customers or will fail to treat them fairly at all times. Conduct risk exposures are monitored through the European Executive Risk Committee.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet operational cash flow requirements. Liquidity risk is monitored through the Finance Committee.

Directors' Report *continued*

Directors and secretaries interests

The Directors and secretaries are set out on page 2. The Directors and secretaries who held office at 31 December 2019 and 31 December 2018 had no interests greater than 1% in the shares of, or debentures or loan stock of, the Company or group companies at the beginning (or date of appointment, if later) or end of the period.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Audit Committee

The Board has an established Audit Committee (the "Committee"). The Committee meets at least four times a year. The Committee comprises the two independent non-executive directors. Brian Lehane has been Chairman of the Audit Committee since appointment. The Committee's terms of reference require it to take an independent view of the Company's external financial reporting, accounting policies and practices. It considers the appointment and fees, both audit and non-audit, of the external auditors. The Committee also reviews the annual plans of both the external and internal auditors and reviews reports received from both in respect of their findings. The Chief Financial Officer, Head of Internal Audit and the Company Secretary usually attend the Committee meetings. At least once a year the Committee will meet, both on its own and with the external auditors, without executive management being present.

Going Concern

In determining the basis of preparation the Board has considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility. Whilst there are many unknowns at the time of writing, the Board considers the main risks resulting from COVID-19 for the Company are in respect of the impact on the valuation and liquidity of investments and the potential for increased insurance losses. A stress scenario related to the potential impacts of this event on the Company has been prepared and reviewed by the Board. The creditworthiness of the Company's main reinsurer, who continues to maintain a Standard and Poor's credit rating of AA, has also been considered.

The Company has considerable financial resources, a high quality of invested assets, strong controls and risk mitigation processes (including, but not limited to reinsurance) and is the subsidiary of a financially strong ultimate parent company.

Accordingly, taking all of the above into account, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in preparing the annual financial statements.

Accounting records

The Directors believe that they have complied with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at Third floor, Block 8, Harcourt Centre, Charlotte Way, Dublin 2, Ireland.

Indemnity insurance

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and as at the date of this report.

Supplier payment policies

All third party supplier invoices are settled on the Company's behalf by Travelers Management Limited ("TML"), an affiliate of the Company. The average payment terms are disclosed in that Company's accounts. The Company also has a management agreement with TML, who employs some of the Company's personnel. The Company employs 6 personnel directly who are paid by TML for which the expenses are charged to the Company. The employment policies are also disclosed in TML's accounts.

Environment

The Company does not have a major direct environmental impact as it operates in a service based, non-manufacturing industry. However, it is aware of its environmental responsibilities.

Political contributions

Political contributions were €nil during 2019 (2018 €nil).

Central Bank of Ireland Corporate Governance Code

The Company is subject to the Corporate Governance Requirements for Insurance Undertakings issued by the Central Bank of Ireland. The Company is a non-high impact designated institution on the Central Bank of Ireland's PRISM scale and as such is not required to comply with the additional requirements for major institutions.

Reappointment of Auditors

KPMG, Chartered Accountants, were appointed statutory auditor on 20 August 2019 and pursuant to section 383(2) of the Companies Act 2014 will continue in office.

Directors' Report *continued*

Statement of Directors' compliance

The Directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014) and, as required by Section 225 of the Companies Act 2014. The Directors confirm that:

- a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and,
- a review of the arrangements and structures has been conducted during the financial year to which this Directors' report relates.

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance contracts.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error, and the have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

On behalf of the Board

Kevin Smith	**James Liston**
Director	*Director*
16 April 2020	16 April 2020

Third floor, Block 8
Harcourt Centre
Charlotte Way
Dublin 2.
Ireland

Independent Auditor's Report to the Members of Travelers Insurance Designated Activity Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Travelers Insurance Designated Activity Company ('the Company') for the year ended 31 December 2019 set out on pages 11 to 41, which comprise the profit and loss – technical account – non life insurance business, profit and loss – non technical account, the statement of comprehensive loss, statement of changes in equity, balance sheet, and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts*;
- have been properly prepared in accordance with the requirements of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Directors on 20 August 2019. The period of total uninterrupted engagement is the 2 years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Travelers Insurance Designated Activity Company *continued*

In arriving at our audit opinion above, the key audit matter was as follows:

Valuation of technical provisions (claims outstanding) – €156.8m (gross) (2018 - €nil)

Refer to page 18 - 19 (accounting policy) and pages 37 - 39 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
The Company's technical provisions (claims outstanding) ("insurance liabilities") represent the single largest liability for the Company. Valuation of these liabilities is highly judgmental because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios and loss development patterns and estimates of the frequency and severity of claims by line of business. The determination and application of the methodology and performance of the calculations are also complex. A margin is added to the actuarial best estimate of insurance liabilities to make allowances for specific risks identified in the assessment of the best estimate. The appropriate margin to recognise is a subjective judgment and estimate taken by the directors and based on the perceived uncertainty and potential volatility of underlying claims. Certain lines of business have greater inherent uncertainty. The valuation of insurance liabilities depends on complete and accurate data about the volume, amount and pattern of current and historic claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgments over key assumptions, is not complete and accurate, then material impacts on the valuation of insurance liabilities may arise.	With the assistance of our actuarial specialists (based in Dublin and London) and our audit colleagues in KPMG UK, our procedures included but were not limited to: Obtaining and documenting our understanding of the process and testing the design and implementation and operating effectiveness of selected key controls performed by management in relation to technical provisions. This includes controls over the data used by the reserving actuary and the appropriate governance oversight in determining the key assumptions for the actuarial best estimate and the additional margin applied above the best estimate. Independent re-projections of the reserves balance using our own models for certain classes of business based on Q3 reserving data. The determination of which classes to re-project is based on risk assessment, materiality and the appropriateness of re-projection due to the nature of the liability. We perform roll forward procedures including a review of actual vs expected ("AvE") development of Q4 reserve balances. Comparison of the assumptions, reserving methodologies and estimates of losses to expectations based on the Company's historical experience, current trends and benchmarking to our own industry knowledge, including information relating to any forthcoming legislation that may affect claims settlement speed or amount. Evaluation of the appropriateness of the margin applied to the actuarial best estimate. We challenge the Actuarial Function's approach to, and analysis performed in setting the margin. In particular, we consider the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate through inquiry with the Actuarial Function. Re-performance of reconciliations between the claims data recorded in the insurance system and the actuarial reserving calculations to ensure integrity of the data used in the actuarial reserving process. We also check the completeness and accuracy of the data flow from the claims and policy systems to the financial systems. Assessing a sample of case reserves included within outstanding claims at 30 September 2019 to check that the reserve reflects the most up-to-date information obtained in respect of the claim, based on supporting evidence on file. We also perform specific fraud procedures, incorporating an element of unpredictability in the selection of the nature, timing and extent of procedures. Testing a sample of claims payments by agreeing balances per the relevant systems to bank statements. Evaluation of the adequacy of disclosures in the financial statements relating to insurance liabilities and subsequent events. Overall, we found the key assumptions used in the valuation of the technical provisions to be reasonable.

Independent Auditor's Report to the Members of Travelers Insurance Designated Activity Company *continued*

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at €798k (2018: €306k), determined with reference to a benchmark of gross written premium (of which it represents 0.8% (2018: 5% of net assets)). We consider gross written premiums to be the most appropriate benchmark as it provides a more stable measure year on year.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €40k (2018: €15k) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality levels specified above and was performed at the Company's offices in Dublin and London. In addition to this, we instructed colleagues in the UK and the US to carry out specified procedures.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's balance sheet, profit and loss account – technical account – non life insurance business, profit and loss account – non technical account, the statement of comprehensive loss and the statement of changes in equity is in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at **https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.**.

Independent Auditor's Report to the Members of Travelers Insurance Designated Activity Company *continued*

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

16 April 2020

Ivor Conlon
for and on behalf of

KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
International Financial Service Centre
Dublin 1

Profit and Loss Account : Technical Account - Non-Life Insurance Business

for the year ended 31 December 2019

	Note	**Year ended 2019** €000	Period ended 2018 €000
Gross premiums written	6	102,954	–
Outward reinsurance premiums		(83,643)	–
Net premiums written		19,311	–
Change in the gross provision for unearned premiums	21	(63,240)	–
Change in the provision for unearned premiums, reinsurers' share	21	51,290	–
Net change in the provision for unearned premiums		(11,950)	–
Earned premiums, net of reinsurance		7,361	–
Allocated investment return transferred from the non-technical account		257	–
Claims paid:			
Gross amount	21	135,374	–
Reinsurers' share	21	(111,412)	–
Net claims paid		23,962	–
Change in the provision for claims:			
Gross amount	21	(156,381)	–
Reinsurers' share	21	128,265	–
Change in the net provision for claims		(28,116)	–
Claims incurred, net of reinsurance		(4,154)	–
Net operating expenses	9	(3,344)	(15)
Balance on the technical account		120	(15)

The notes on pages 17 to 41 form part of these financial statements.

Profit and Loss Account: Non-Technical Account

for the year ended 31 December 2019

	Note	**Year ended 2019** €000	Period ended 2018 €000
Balance on the non-life insurance business technical account		120	(15)
Investment income	8	807	3
Investment expenses and charges	10	(476)	–
Net investment return		331	3
Allocated investment return transferred to the non-life insurance business technical account		(257)	–
Net investment income not allocated to the non-life insurance business technical account		74	3
Other expenses	11	(8)	–
Profit/(loss) on ordinary activities before tax	5, 12	186	(12)
Tax (charge)/credit on profit/(loss) on ordinary activities	14	(10)	3
Profit/(loss) for the financial year		176	(9)

The notes on pages 17 to 41 form part of these financial statements.

Statement of Comprehensive Loss

for the year ended 31 December 2019

	Note	**Year ended 2019** €000	Period ended 2018 €000
Profit/(loss) for the financial year		176	(9)
Unrealised (loss)/gain on investments	15	(588)	3
Currency translation losses on foreign currency net investments		(207)	–
Total comprehensive loss		(619)	(6)

The notes on pages 17 to 41 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Share capital €000	Share premium €000	Capital contribution €000	Profit and loss account €000	Revaluation reserve €000	Total equity €000
At date of incorporation		–	–	–	–	–	–
Loss for the financial period		–	–	–	(9)	–	(9)
Other gains recognised in Other Comprehensive Income/(Loss)							
Unrealised gains on investments, net of tax		–	–	–	–	3	3
Increase in capital		6,000	120	–	–	–	6,120
Balance at 31 December 2018		6,000	120	–	(9)	3	6,114
Profit for the financial year		–	–	–	176	–	176
Other losses recognised in Other Comprehensive (Loss)/Income							
Unrealised losses on investments, net of tax		–	–	–	–	(588)	(588)
Currency translation differences on foreign currency net investments, net of tax		–	–	–	(207)	–	(207)
Increase in share capital	20	29,000	1,269	30,000	–	–	60,269
Balance at 31 December 2019		35,000	1,389	30,000	(40)	(585)	65,764

The profit and loss account includes €386 thousand of net realised losses, net of tax, which have been transferred from the revaluation reserve, of this a €3 thousand gain relates to amounts brought forward from 31 December 2018.

The notes on pages 17 to 41 form part of these financial statements.

Balance Sheet

as at 31 December 2019

		2019	2018
ASSETS	Note	€000	€000
Investments			
Financial investments	15	80,730	6,119
		80,730	6,119
Reinsurers' share of technical provisions			
Provision for unearned premiums	21	52,222	–
Claims outstanding	21	128,559	–
		180,781	–
Debtors			
Debtors arising out of insurance operations	16	43,003	–
Debtors arising out of reinsurance operations	17	3,932	–
Other debtors	18	2,656	–
		49,591	–
Other assets			
Deferred tax asset	19	–	3
Cash at bank and in hand		11,785	–
		11,785	3
Prepayments and accrued income			
Accrued interest		544	7
Deferred acquisition costs	21	5,444	–
		5,988	7
TOTAL ASSETS		328,875	6,129

The notes on pages 17 to 41 form part of these financial statements.

LIABILITIES	Note	2019 €000	2018 €000
Capital and reserves			
Called up share capital presented as equity	20	35,000	6,000
Share premium account	20	1,389	120
Capital contribution	20	30,000	–
Profit and loss account		(40)	(9)
Revaluation reserve		(585)	3
Shareholders' funds attributable to equity interests		65,764	6,114
Technical provisions			
Provision for unearned premiums	21	64,386	–
Claims outstanding	21	156,750	–
		221,136	–
Creditors			
Creditors arising out of insurance operations	23	382	–
Creditors arising out of reinsurance operations		27,929	–
Other creditors including taxation and social security	24	8,905	–
		37,216	–
Accruals and deferred income	25	4,759	15
TOTAL LIABILITIES		328,875	6,129

These financial statements were approved by the Board of Directors on 16 April 2020 and were signed on its behalf by:

Kevin Smith
Director
16 April 2020

James Liston
Director
16 April 2020

Travelers Insurance Designated Activity Company
Registered in Ireland No 620416

The notes on pages 17 to 41 form part of these financial statements.

Notes to the Financial Statements

1 Basis of preparation

Travelers Insurance Designated Activity Company ("the Company") is a limited liability company incorporated in Ireland. Its registered office is at Third Floor, Block 8, Harcourt Centre, Charlotte Way, Dublin 2, Ireland. The financial statements of the Company have been prepared in compliance with the Companies Act 2014, Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), and Financial Reporting Standard 103 - "Insurance contracts" ("FRS 103") and the European Union (Insurance Undertakings: Financial Statements) Regulation 2015. There have been no material departures from these standards.

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets that are measured at fair value.

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements have been presented in Euro, the Company's functional currency, rounded to the nearest thousand.

Comparative figures relate to the period from date of incorporation, 6 February 2018 to 31 December 2018.

The Company's ultimate parent undertaking, The Travelers Companies, Inc. ("TRV"), includes the Company in its consolidated financial statements. The consolidated financial statements of TRV are prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), as promulgated by the Financial Accounting Standards Board (FASB), subject to the accounting-related rules and interpretations of the Securities and Exchange Commission ("SEC"). The TRV consolidated financial statements are available to the public by request and may be obtained from this Company's registered address.

Consideration was given to the Application Guidance for FRS 100 in preparing these financial statements. The Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Share based payments;
- Cash flow statement and related notes; and
- Key management personnel compensation.

In determining the basis of preparation the Board has considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility. Whilst there are many unknowns at the time of writing, the Board considers the main risks resulting from COVID-19 for the Company are in respect of the impact on the valuation and liquidity of investments and the potential for increased insurance losses. A stress scenario related to the potential impacts of this event on the Company has been prepared and reviewed by the Board. The creditworthiness of the Company's main reinsurer, who continues to maintain a Standard and Poor's credit rating of AA, has also been considered.

The Company has considerable financial resources, a high quality of invested assets, strong controls and risk mitigation processes (including, but not limited to reinsurance) and is the subsidiary of a financially strong ultimate parent company.

Accordingly, taking all of the above into account, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in preparing the annual financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the Financial Statements *continued*

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The most critical individual components of these financial statements that involve the highest degree of judgement or most significant assumptions and estimations are set out in note 3 below.

Basis of accounting for underwriting activities
All classes of business are accounted for on an annual basis.

Gross written premiums
Under the annual basis of accounting, written premiums, gross of commission payable to intermediaries, comprise the premiums on contracts entered into during a financial year, regardless of whether such amounts may relate in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include estimates for pipeline premiums (premiums written but not reported to the business by the balance sheet date) and adjustments to premiums written in prior accounting periods.

Unearned premiums
Written premiums are recognised as earned according to the risk profile of the underlying policy. Unearned premiums represent the proportion of premiums written that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate. The reinsurers' share of unearned premiums is calculated with reference to the risk profile of the underlying reinsurance contract.

Acquisition costs
Acquisition costs comprise the expenses of acquiring the insurance policies written during the financial year. Acquisition costs are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date.

Classification of insurance contracts
An insurance contract is one under which the Company has accepted significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. These contracts remain in force until all rights and obligations are extinguished or expire.

Claims incurred
Claims incurred include all claims and claim settlement expense payments made in respect of the financial year, and the movement in the provision for outstanding claims and settlement expenses, including the claims incurred but not reported provision, during the year.

Claims outstanding
The provision for outstanding claims represents the Company's estimate of the ultimate cost of settling claims that have occurred by the balance sheet date but not yet been finally settled.

In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised to the Company as at the balance sheet date, there is also the considerable uncertainty regarding the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled. As a consequence of these uncertainties the Company has to apply sophisticated estimation techniques to determine the appropriate level of claims provisions.

In overview, claims provisions are determined based upon prior claims experience, knowledge of market conditions and trends, and the terms and conditions of the underlying policies of insurance.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

Claims outstanding *continued*
A variety of different statistical techniques are used by the Company's in-house actuaries to determine the appropriate level of claims provision to carry. These methods include the following:

- Chain ladder development of paid and incurred claims, where claims to date for each accident year are extrapolated based upon the historical development patterns of earlier years;
- Estimates based upon the projection of claims' numbers and average costs;
- Expected loss ratios; and,
- Bornhuetter Ferguson method, which combines use of expected loss ratios, for the more recent and underdeveloped accident years, and the chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each country, product, line of business and separately on a gross and ceded basis.

Large claims are identified and reserved for separately.

Where possible, the Company adopts multiple techniques to estimate the required level of claims provision. This assists in giving a greater understanding of the trends inherent in the data being projected and setting the range of possible outcomes. The most appropriate estimation technique is then selected taking into account the characteristics of the business class under consideration.

In arriving at the level of claims provisions, a margin is carried over and above the actuarial best estimate so that no adverse run off deviation is envisaged.

Establishing an appropriate level of claims provision is inherently uncertain. The degree of uncertainty will vary by product and line of business according to the characteristics of the insured risk. The level of uncertainty is also influenced by a number of factors such as claims cost inflation, judicial trends and legislative changes. As a consequence of this uncertainty the eventual cost of settling outstanding claims can vary substantially from the initial estimates.

Reinsurance ceded
Premiums payable in respect of reinsurance ceded are recognised in the period in which the underlying reinsurance contract incepts. Premiums are expensed over the period of the underlying reinsurance contract. A reinsurance asset is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the gross provision for losses reported under insurance contract liabilities. The amount recoverable is reduced where there is an event after the initial recognition that provides objective evidence that the Company may not receive all amounts due under the reinsurance contract. If there is such objective evidence the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the profit and loss account.

Unexpired risks
A provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums provision in relation to such policies after deduction of any acquisition costs deferred. Provision for unexpired risks is calculated after taking into account relevant investment income. Unexpired risk surpluses and deficits are aggregated where the business classes are managed together.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

Financial assets and liabilities

In applying FRS 102, the Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the profit and loss account or the statement of comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Debt and other fixed-income securities are designated as available-for-sale and initially recognised at fair value plus any directly attributable transaction costs. After initial measurement these assets are subsequently measured at fair value.

Interest earned whilst holding available-for-sale financial assets is reported as interest income. Fair value changes, including foreign exchange gains or losses, are recognised in the statement of comprehensive income and accumulated in the revaluation reserve.

If an available-for-sale investment is sold or impaired, the cumulative gain or loss accumulated in the revaluation reserve is reclassified to profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the revaluation reserve to profit or loss. The cumulative loss that is reclassified from the statement of comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss and otherwise it is reversed through the statement of comprehensive income.

Deposits with credit institutions, debtors and accrued interest are classified as receivables.

Recognition

Financial assets are recognised when the Company becomes a party to the contractual provisions of the asset. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Identification and measurement of impairment

The Company conducts a periodic review to identify invested assets with a present value of estimated future cash flows less than the carrying amount. Some of the factors considered in identifying such assets include:

- whether the Company intends to sell the investment or whether it is more likely than not that the Company will be required to sell the investment prior to an anticipated recovery in value;
- the likelihood of the recoveries in full of the principal and interest (i.e. whether there is a credit loss);
- the financial condition, near-term and long-term prospects for the issuer, including the relevant industry conditions and trends, and implications of rating agency actions and offering prices.

At each reporting date the Company assesses whether there is objective evidence that financial assets that are not invested assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after initial recognition of an asset, and that the loss event has an impact of the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company of any significant financial difficulty of the issuer, or significant changes in the environment in which the issuer operates.

All impairment losses are recognised in full in the profit and loss account.

Notes to the Financial Statements *continued*

2 **Significant accounting policies** *continued*

Financial assets and liabilities *continued*

Offsetting
Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investment return
Interest income is recognised on an accruals basis in the profit and loss account. Realised gains or losses represent the difference between net sales proceeds and purchase price.

Trading investment income, realised gains and losses and investment expenses and charges are allocated to the non-life insurance business technical account in full. Investment income earned during the non-trading period has not been allocated to the non-life insurance business technical accounts and has remained in the non-technical account.

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses during the year comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period. Movements in unrealised investment gains and losses are reported in the statement of comprehensive income.

Functional currencies
The functional and reporting currency of the Company is Euro, with the exception of the branch operation in the UK, for which the functional currency is Sterling.

Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from such transactions and from the retranslation of balance sheet items at the year end exchange rates are recognised in the non-technical account.

For the UK branch, that has a functional currency different to the Euro presentational currency, the results and financial position are translated into Euro as follows:

- Balance sheet items are translated at the closing rate as at the balance sheet date;
- Profit or loss account items are translated at average monthly exchange rates; and
- All resulting exchange differences are recognised in the statement of comprehensive income.

Share based payments
The Company's reward compensation scheme provides for the granting of stock options, restricted stock units and performance shares that are valued or determined by reference to the common stock of TRV. The Company expects to deliver shares to employees under these plans from the treasury stock of TRV. The Company also offers a Sharesave scheme for eligible employees through it's affiliate, Travelers Management Limited ("TML").

Stock options
Stock options awarded to eligible employees are exercisable and expire according to the vesting schedules as specified at the time of grant. Such options are awarded based on the fair market value of the common stock of TRV, a US dollar denominated stock traded on the New York Stock Exchange, on the grant date, and have a term of ten years from the date of the grant. All employee stock option agreements provide that vesting is accelerated in certain circumstances, such as upon retirement or death.

Restricted stock units and performance shares
Restricted stock units and performance shares are awarded to staff and have a three year vesting period.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

Share based payments *continued*

Sharesave scheme
Under the Sharesave scheme the Board of TML grant options over shares in TRV to Irish and UK based employees of the group. Options are granted with a fixed exercise price equal to 80% of the market price of the shares for the day prior to invitation, which is thirty days prior to the grant date. Employees pay a fixed amount from salary into a savings account each month for five years. At the end of the savings period employees have six months in which to exercise their options using the funds saved, including interest earned. If employees decide not to exercise their options they may withdraw the funds saved and the options expire. Exercise of options is subject to continued employment within the Company.

Deferred tax
Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or that future taxable profits will be available against which the temporary differences can be utilised.

3 Use of critical judgements, assumptions and estimates

The preparation of financial statements requires the use of significant judgements, assumptions and estimates. The Directors consider the accounting policies for determining the valuation of insurance liabilities and the valuation of investments as being the most critical to an understanding of the Company's result and financial position.

The most critical estimate included within the Company's balance sheet is that in respect of losses incurred but not reported. The total gross estimate within the Company's balance sheet as at 31 December 2019 was €72.6 million. Estimates for losses incurred but not reported are continually being re-evaluated based on the Company's claims experience, developments in the broader industry and expectations of changes in future years. There is though an inherent uncertainty in estimating claims provisions at the end of the reporting period for the eventual outcome of outstanding notified claims and in estimating the number and value of claims still to be notified. There is thus a risk that material adverse changes to claims estimates in future years may have a critical impact on the Company's reported performance and financial position.

Notes to the Financial Statements *continued*

4 Risk and capital management

This section identifies the key risks faced by the Company and the steps taken to manage those risks. The Company's appetite for accepting and managing the varying classes of risk it faces is defined by the Company's Board of Directors. The Board of Directors has established a comprehensive risk management framework that includes a full range of risk policies and risk procedures which include risk identification, risk measurement, risk mitigation, risk reporting and stress and scenario tests to ensure that the risk exposures faced by the Company are appropriately managed.

The principal sources of risk faced by the Company can be classified in the following categories:

- Insurance;
- Credit;
- Market;
- Liquidity; and
- Capital management.

Insurance risk

Management of insurance risk

The European Underwriting Committee oversees the management of underwriting risk and in particular ensures adherence to the Board determined risk appetite in terms of product, line of business, geographical exposure, line sizes, and rating adequacy. The underwriting strategy includes limits on the Company's total exposure to specific risks, together with limits on geographical and industry exposures. The aim is to ensure a well diversified book is maintained with no over exposure in any one industry, line of business or geographical region. The European Underwriting Committee meets quarterly and will address new product ideas, emerging claims issues, product and line of business profitability issues, as well as monitoring the overall portfolio performance.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, limits and aggregate caps. The Company uses sophisticated modelling tools to monitor and manage the concentration of exposure from weather events and to ensure they remain within the Board's risk appetite. Authority limits are accorded to individual underwriters based on their experience. The Company also makes use of reinsurance to mitigate the risk of incurring significant losses linked to any one risk or any one event, principally risk excess of loss and property catastrophe reinsurance. Where an individual exposure is in excess of Company's appetite additional facultative reinsurance may also be considered through participation in the European Travelers reinsurance programme.

On a monthly basis performance reviews are conducted to monitor premium production, business mix, rating adequacy and claims activity relative to targets set out in the Company's annual business plan. On an annual basis each portfolio is subjected to a detailed review to identify actions to be taken to improve performance where necessary and opportunities to further develop the portfolio.

The Finance Committee oversees the management of reserving risk. The Company's in-house actuaries perform a reserving analysis on a quarterly basis, liaising closely with underwriters and claims handlers. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development patterns are all instrumental in mitigating reserving risk. The aim of the quarterly reserving analysis is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections.

The Finance Committee performs a comprehensive review of the projections, both gross and net of reinsurance, and following this review makes recommendations to the Company's Board of Directors of the appropriate claims provisions to be established. In arriving at the level of claims provisions carried, a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Concentration of insurance risk

The following table provides an analysis of the geographical breakdown of the Company's written premiums by class of business based on the location of the underlying risk:

	Ireland	United Kingdom	Other	Total
2019	€000	€000	€000	€000
Credit and Suretyship	65	–	53	118
Fire and other damage to property	13,827	8,410	998	23,235
Marine	5	75	–	80
Motor	7,889	26	18	7,933
Third party liability	15,287	51,280	5,021	71,588
Total	37,073	59,791	6,090	102,954

Due to the Company not trading in 2018, no comparative table has been reported.

Net loss ratio sensitivity

The following table shows the impact on the Company's post tax result and financial position were the net loss ratio to increase by 1%. This is on the basis that an increase in gross claims incurred would have a similar impact on the reinsurance recovery and the claims handling costs:

	2019	2018
	€000	€000
Total decrease in result after tax and net assets	64	–

Profit and loss sensitivity to expenses

The following table shows the impact were net operating expenses to increase by 5%:

	2019	2018
	€000	€000
Total decrease in result after tax and net assets	146	–

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Credit risk

Credit risk is the risk of financial loss due to counterparties failing to meet some or all of their obligations. The Company's key areas of exposure to credit risk include:

- counterparty exposures with respect to cash deposits and investments;
- reinsurers' share of technical provisions; and
- amounts due from brokers and policyholders.

The Finance Committee oversees the management of credit risk. The Committee is responsible for ensuring that the Board approved credit risk appetite is not exceeded. Limits are placed on exposures to individual bank and investment counterparties, and groups of counterparties, based on the likelihood of default having regard to the credit rating of the underlying counterparty.

The Company's strategy is to participate in the European Travelers reinsurance programme, which purchases reinsurance only from reinsurers who meet specified security standards. Reinsurance counterparties are subject to a rigorous internal assessment process by reviewing credit ratings provided by rating agencies and other publicly available financial information. Due to the nature of the reinsurance market, and the restricted range of reinsurers with acceptable credit ratings, the Company is exposed to credit and concentration risk with individual reinsurers and groups of reinsurers.

In addition, the Company has an 80% Quota Share reinsurance arrangement in place with its immediate parent company, TICL. To reduce the risk associated with the material credit exposure to TICL, a collateral arrangement was put in place between TICL and the Company. The arrangement requires that the premium paid to TICL by the Company be held within a collateral account for a period of at least two years before it can be released. Claims payable relating to this Quota Share reinsurance arrangement can be funded from the collateral account. Premiums are only released from the collateral account if they exceed the value of the related case reserves and IBNR.

The Company's exposure to brokers and policyholders is monitored as part of its regular credit control processes. The payment histories of brokers and policyholders are monitored on a monthly basis.

An analysis of the Company's exposure to counterparty credit risk based on Standard and Poor's or equivalent ratings, is set out below:

2019	AAA	AA	A	BBB	Not rated	Total
	€000	€000	€000	€000	€000	€000
Investments	33,343	28,842	18,545	–	–	80,730
Reinsurance claims outstanding	–	124,523	2,898	1,000	138	128,559
Reinsurance debtors	–	1,614	2,317	–	1	3,932
Insurance debtors	–	–	–	–	43,003	43,003
Other debtors	–	–	–	–	2,656	2,656
Cash at bank and in hand	–	184	11,601	–	–	11,785
Total by rating	33,343	155,163	35,361	1,000	45,798	270,665
Percentage by rating	12.3%	57.3%	13.1%	0.4%	16.9%	100.0%

2018	AAA	AA	A	BBB	Not rated	Total
	€000	€000	€000	€000	€000	€000
Investments	2,001	3,117	1,001	–	–	6,119
Total by rating	2,001	3,117	1,001	–	–	6,119
Percentage by rating	32.7%	50.9%	16.4%	0.0%	0.0%	100.0%

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Credit risk *continued*

The largest counterparty exposure within the AAA rating was the European Investment Bank as at 31 December 2019 (2018 DNB Boligkreditt AS). Within the AA rating, the largest counterparty exposure was LVMH Moet Hennessy Louis Vuitton as at 31 December 2019 (2018 Apple Inc.). With the exception of AAA and AA government debt securities the largest credit exposure does not exceed 5% of the Company's total financial assets. The Company has no holdings in Government bonds of Greece, Italy, Spain or Portugal, nor in any corporate bonds for companies based in those countries.

The largest reinsurance counterparty exposure within the AA rating at 31 December 2019 is Travelers Insurance Company Limited.

As at 31 December 2019 and 2018 the Company held no material financial assets that were past due or impaired beyond their reported fair values. For the current and prior periods the Company did not experience any defaults on investments.

An analysis of the carrying amounts of past due or impaired financial assets is presented in the table below:

2019	Within terms	0 - 1 month	2 - 3 months	Over 3 months	Impairments	Total
	€000	€000	€000	€000	€000	€000
Investments	80,730	–	–	–	–	80,730
Reinsurance claims outstanding	128,559	–	–	–	–	128,559
Reinsurance debtors	3,628	13	27	264	–	3,932
Insurance debtors	40,155	1,137	1,217	494	–	43,003
Other debtors	2,656	–	–	–	–	2,656
Cash at bank and in hand	11,785	–	–	–	–	11,785
Total	267,513	1,150	1,244	758	–	270,665

2018	Within terms	0 - 1 month	2 - 3 months	Over 3 months	Impairments	Total
	€000	€000	€000	€000	€000	€000
Investments	6,119	-	-	-	-	6,119
Total	6,119	-	-	-	-	6,119

The Company's maximum exposure to credit risk is represented by the carrying values of financial assets included in the balance sheet. The Company does not use credit derivatives or other products to mitigate the maximum exposure to credit risk.

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Market risk

The Finance Committee oversees the management of market risk. The Company is exposed to the risk of potential losses from adverse movements in market prices, in particular those of interest rates and foreign currency exchange rates. These exposures are controlled by the setting of limits and by asset-liability matching, in terms of both duration and foreign currency composition, in line with the Company's risk appetite.

Interest rate risk

The Company's investment portfolio is comprised exclusively of high quality fixed income government and corporate bonds. The fair value of the investment portfolio is inversely correlated to movement in market interest rates. If market interest rates rise, the fair value of the Company's fixed income investments will fall. The investments typically have relatively short durations and the portfolio is managed to minimise interest rate risk. If market interest rates had risen by 100 basis points as at the balance sheet date the shareholder's equity would have fallen by €2.2 million (2018 €0.2 million) after tax.

Insurance contract liabilities are not directly sensitive to interest rates as they are undiscounted and non-interest bearing.

Currency risk

The Company operates principally in Ireland and the UK. It has currency exposures to its operations in the UK and to intercompany transactions with other group companies in the United States. Accordingly its net assets are subject to foreign exchange movements between the Euro, Sterling and US Dollar. The Company manages these exposures by monitoring them regularly and endeavouring to ensure its Euro and Sterling assets are broadly matched by Euro and Sterling liabilities respectively, with any surplus net assets held in Euro.

The Company's shareholder's equity analysed by currency is:

	Euro	Sterling	US Dollar	Total
	€000	€000	€000	€000
Net assets 31 December 2019	70,308	(3,309)	(1,235)	65,764
Net assets 31 December 2018	6,114	–	–	6,114

The impact of a 10% change in Euro against Sterling and US Dollar at the reporting date would have the following impact on shareholder's equity:

	Increase Euro/Sterling	Decrease Euro/Sterling	Increase Euro/US Dollar	Decrease Euro/US Dollar
	€000	€000	€000	€000
Increase/(decrease) in net assets 31 December 2019	290	(290)	108	(108)
Increase/(decrease) in net assets 31 December 2018	–	–	–	–

Liquidity risk

Liquidity risk is the risk that the Company may be unable to settle its obligations as they fall due as a result of insufficient assets being available in a form that can be readily convertible into cash.

The Finance Committee oversees the management of liquidity risk. The Company's financial assets are held in highly liquid assets that can be readily convertible into cash in a prompt fashion and with minimal expense. The Company has no external debt. Cash flow forecasts are prepared and reviewed on a regular basis.

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Liquidity risk *continued*

The following table summarises the maturity profile of the Company's insurance liabilities and creditors analysed based on the estimated remaining duration until settlement:

2019	Total	0 - 1 year	2 - 5 years	More than 5 years
	€000	€000	€000	€000
Technical provisions	221,136	108,504	92,291	20,341
Creditors	37,216	37,216	–	–
Total	258,352	145,720	92,291	20,341

Due to the Company not trading in 2018 no comparative table has been reported.

Capital management

The Company's primary objectives when managing its capital position are as follows:

- to protect its ability to continue as a going concern and thus to protect its policyholders;
- to enable an appropriate return to TRV's shareholders by allocating appropriate amounts of capital to its products commensurate with the risks taken;
- to comply with its regulatory capital requirements; and,
- to maintain financial strength ratings of A.M. Best A++ (superior) and S&P AA-.

The Company's capital comprises share capital, capital contribution, retained earnings and revaluation reserves. For internal modelling purposes the Company treats its available capital as being its Own Funds on a Solvency II basis. As at 31 December 2019 available capital on this basis comprised €64.6 million. During the year the Company received a €30.3 million capital injection, which included share premium of €1.3 million, from its parent company, TICL, in return for the issuance of new shares. This capital injection was in part consideration of the business transferred into the Company by TICL. The Company also received a capital contribution of €30.0 million in September 2019. Both the capital injection and the capital contribution support the Company's regulatory capital requirements.

The Company is subject to capital requirements imposed by both its regulator and rating agencies. The insurance company capital regime in Ireland is on a Solvency II basis. Under this regime the Company's capital requirement is determined using the standard formula. As management sets the target economic capital for the Company, the regulatory and rating agency capital requirements are treated as minimum requirements. In setting its target economic capital and determining capital to allocate to different products the Company employs its internal capital model. At 31 December 2019 the Company's regulatory solvency capital requirement was €26.3 million and its coverage ratio was 246%.

During the year the Company was in full compliance with the capital requirements imposed by its regulator, the Central Bank of Ireland.

The Company's financial strength rating with A.M. Best is A++ (superior) and S&P AA-.

Notes to the Financial Statements *continued*

5 Continuing and run-off operations

The breakdown of the general non-life business technical account between run-off and continuing operations is as follows:

	2019		2018	
	Continuing operations €000	Run-off operations €000	Continuing operations €000	Run-off operations €000
Net premiums written	19,311	–	–	–
Net premiums earned	7,361	–	–	–
Allocated investment return	208	49	–	–
	7,569	49	–	–
Claims paid - gross amount	89,632	45,742	–	–
Claims paid - reinsurers' amount	(72,430)	(38,982)	–	–
Change in provisions for claims - gross amount	(109,957)	(46,424)	–	–
Change in provisions for claims - reinsurers' amount	88,737	39,528	–	–
Claims incurred, net of reinsurance	(4,018)	(136)	–	–
Net operating expenses	(3,319)	(25)	(15)	–
Balance on the technical account	232	(112)	(15)	–
Investment income	758	49	3	–
Investment expenses and charges	(476)	–	–	–
	282	49	3	–
Allocated investment return transferred to the general non-life business technical account	(208)	(49)	–	–
Other (charges) / income	(12)	4	–	–
Profit/(loss) on ordinary activities before tax	294	(108)	(12)	–

Notes to the Financial Statements *continued*

6 Analysis of underwriting result

(a) Analysis of gross premiums and profit before tax

	2019		
	Gross premiums written	Gross premiums earned	Profit before tax
	€000	€000	€000
By geographical segment			
Republic of Ireland	37,914	17,077	161
UK	65,040	22,637	183
Other Europe	–	–	(158)
Total	102,954	39,714	186

Due to the Company not trading in 2018 no comparative table has been reported.

The Directors consider that the Company is involved in only one type of business, that being non-life insurance business.

(b) Analysis of gross premiums written

	2019	2018
	€000	€000
Resulting from contracts concluded by the Company:		
Direct	101,253	–
Inwards reinsurance	1,701	–
Total	102,954	–

(c) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance

	2019				
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance
	€000	€000	€000	€000	€000
Motor	7,933	3,485	(2,172)	(1,596)	165
Fire and other damage to property	23,235	9,719	(2,608)	(5,307)	(1,739)
Third party liability	71,588	26,405	(16,202)	(9,933)	(351)
Credit and Suretyship	118	60	7	(5)	(62)
Marine	80	45	(32)	(4)	(12)
	102,954	39,714	(21,007)	(16,845)	(1,999)

Due to the Company not trading in 2018 no comparative table has been reported.

Commission payable in respect of direct insurance amounted to €10.2 million.

The ‘reinsurance balance’ represents the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions, including reinsurance commissions.

Notes to the Financial Statements *continued*

7 Prior years' claims provisions

Over/(under) provisions for claims transferred from TICL compared to payments made during and provisions held at the end of the financial year in respect of prior years' claims are as follows:

	2019 €000	2018 €000
Motor	1	–
General liability	(125)	–
	(124)	–

The deterioration of the General Liability claims provision related to reserves transferred from TICL to the Company on 1 October 2019 under the Part VII transfer.

8 Investment income

	2019 €000	2018 €000
Income from investments	807	3

Investment returns of €74 thousand which related to the non-trading period from 1 January 2019 to 31 March 2019 have not been allocated to the Technical Account. From 1 April 2019, all investment returns have been allocated to the Technical Account.

9 Net operating expenses

	2019 €000	2018 €000
Acquisition costs	10,234	–
Change in gross deferred acquisition costs	(5,383)	–
	4,851	–
Administrative expenses	11,994	15
Gross operating expenses	16,845	15
Reinsurance commissions and profit participation	(17,852)	–
Change in deferred reinsurance commission	4,351	–
	3,344	15

10 Investment expenses and charges

	2019 €000	2018 €000
Investment management expenses	36	–
Losses on the realisation of investments	440	–
	476	–

Notes to the Financial Statements *continued*

11 Other expenses

	2019	2018
	€000	€000
Foreign exchange loss	(687)	–
Other income	679	–
	(8)	–

12 Profit on ordinary activities before tax

	2019	2018
	€000	€000
Profit on ordinary activities before tax is stated after crediting		
Income from fixed income investments	807	3
after charging		
Auditor's remuneration:		
Audit of these financial statements	134	15
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit-related assurance services	61	–

13 Remuneration of employees and directors

(a) The staff costs during the period were:	2019	2018
	€000	€000
Wages and Salaries	709	–
Share based payments	69	–
Social security costs	126	–
Other pension costs	54	–
	958	–

Staff costs are paid by a fellow group company, Travelers Management Limited, and recharged to the Company.

The average number of employees, including directors, employed during the period was 6.

	2019	2018
	€000	€000
Claims and underwriting	272	–
Financial and actuarial	173	–
Executive and other	513	–
	958	–

The Company also has a management agreement with a fellow group company, Travelers Management Limited, which employs the remaining Company personnel. The Company then pays a service charge in respect of services provided by staff employed by Travelers Management Limited.

(b) The directors remuneration during the period was:	2019	2018
	€000	€000
Directors' emoluments	416	–
Company contributions to money purchase schemes	11	–

The remuneration of group non-executive directors are paid by their respective employer within the group.

Notes to the Financial Statements *continued*

14 Taxation

Analysis of total tax charge/(credit) for the year
(a) Tax included in the non-technical account

	2019	2018
	€000	€000
Ireland Corporation Tax		
Ireland Corporation Tax at 12.5% (2018 25.0%)	5	–
Total current tax charge	5	–
Foreign tax		
Adjustments in respect of prior periods	2	–
Deferred tax		
Deferred tax charge/(credit)	3	(3)
Tax charge/(credit) on profit/(loss) on ordinary activities	10	(3)

(c) Factors affecting the total tax charge/(credit) for the year

The tax charge/(credit) for the year is lower than (2018 the same as) the standard rate of corporation tax in Ireland:

	2019	2018
	€000	€000
Profit/(loss) on ordinary activities before tax	186	(12)
Tax using the corporation tax rate of 12.5% (2018 25.0%)	23	(3)
Effect of tax rate change	3	–
Foreign tax	2	–
Tax loss utilisation	(18)	–
Total tax charge/(credit)	10	(3)

For the period 1 January to 31 March 2019, the investments held were not for the purposes of supporting its claims liabilities, as such the investment income was taxed at 25.0% rather than 12.5%. From 1 April 2019 the investments were all held to support the trading activities and were therefore taxed at 12.5%.

Following the Part VII transfer from TICL, the Company received €110.4 million of tax losses carried forward for recognition against future tax liabilities arising from the Company's Irish operations.

As at 31 December 2019 the Company had unrecognised tax losses carried forward of €110.4 million (2018 €nil).

Notes to the Financial Statements *continued*

15 Investments

(a) Fair value

	Fair Value **2019** €000	Fair Value 2018 €000	Cost **2019** €000	Cost 2018 €000
Debt and other fixed income securities	80,730	6,119	81,318	6,116
Included in debt and other fixed income securities:				
Irish fixed income securities	–	–	–	–
Overseas fixed income securities	80,730	6,119	81,318	6,116
	80,730	6,119	81,318	6,116

(b) Movement in the year

	2019 €000	2018 €000
Investments brought forward	6,119	–
Purchases	233,716	6,116
Fair value adjustments	(588)	3
Disposals/maturities	(158,528)	–
Currency translation movements	11	–
Investments carried forward	80,730	6,119

On 1 October 2019 the business written through the TICL branch in Ireland, its run-off branches in Netherlands, France and Germany, and the associated gross and ceded technical balances were transferred to the Company via a business transfer scheme under Part VII of the UK Financial Services and Markets Act 2000. €98.7 million of the investment purchases were bonds transferred as part of this transaction. The business transferred was then reinsured back to TICL by way of an 80% Quota Share reinsurance agreement, resulting in €104.2 million of the investment disposals being bonds transferred to TICL as part of this transaction. See note 29 for further details.

(c) Fair value measurement of investments

The Company's estimates of fair value for investments are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement of its entirety. The three levels of the hierarchy are as follows:

- Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability and therefore, prices are determined using a valuation technique.

Notes to the Financial Statements *continued*

15 Investments *continued*

The Company utilised a pricing service to estimate the fair value of its investments at both 31 December 2019 and 31 December 2018.

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated, willing parties, i.e. not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realised if the security was sold in an immediate sale, e.g. a forced transaction. Additionally, the valuation of investments is more subjective when markets are less liquid due to the lack of market based inputs, which may increase the potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction would occur.

For investments that have quoted market prices in active markets, the Company uses the unadjusted quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Company receives the quoted market prices from third party, nationally recognised pricing services. When quoted market prices are unavailable, the Company utilises these pricing services to determine an estimate of fair value based on recent transactions for identical assets. The fair value estimates provided from these pricing services are included in the amount disclosed in Level 2 of the hierarchy. If quoted market prices and an estimate from a pricing service are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3. The Company bases all of its estimates of fair value for assets on the bid price as it represents what a third party market participant would be willing to pay in an arm's length transaction.

The following table presents the level within the fair value hierarchy at which the Company's investments are categorised.

	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Financial assets as at 31 December 2019	-	80,730	-	80,730
Financial assets as at 31 December 2018	-	6,119	-	6,119

16 Debtors arising out of insurance operations

	2019	2018
	€000	€000
Amounts owed by intermediaries	43,003	–

There is no significant concentration of credit risk with respect to debtors arising out of insurance operations. The carrying amounts disclosed are reasonable approximations of the fair values at the reporting date.

17 Debtors arising out of reinsurance operations

	2019	2018
	€000	€000
Amounts owed by reinsurers	3,932	–

Notes to the Financial Statements *continued*

18 Other debtors

	2019	2018
	€000	€000
Amounts owed by group undertakings	2,656	–

All debtors are due within one year.

19 Deferred tax asset

The amounts provided for deferred taxation are set out below:

2019	Tax Losses	Total net deferred tax asset
	€000	€000
Deferred tax asset/(liability) brought forward	3	3
Prior year P&L	(3)	(3)
	–	–

2018	Tax Losses	Total net deferred tax asset
	€000	€000
Deferred tax asset/(liability) brought forward	–	–
Prior year P&L	3	3
	3	3

The tax losses carried forward have no time limit. €110.4 million of losses carried forward were unprovided for in the year (2018 €nil).

20 Called up share capital

	2019	2018
	€000	€000
Authorised		
100,000,000 (2018 100,000,000) ordinary shares of €1 each	100,000	100,000

	2019	2018
	€000	€000
Allotted, called up and fully paid		
35,000,001 (2018 6,000,001) ordinary shares of €1 each	35,000	6,000

During the year the company received capital to further support the Company's operations and regulatory capital requirements of €30.3 million at €1 per share, which included share premium of €1.3 million, from the Company's parent company, TICL, in return for the issuance of 29,000,000 new ordinary shares.

The Company also received a capital contribution of €30.0 million during the year to support the Company's regulatory capital requirements.

Notes to the Financial Statements *continued*

21 Technical provisions and deferred acquisition costs

(a) Unearned premium provision

	2019		2018	
	€000	€000	€000	€000
Gross				
At the start of the year		–		–
Premiums written	102,954		–	
Premiums earned	(39,714)		–	
Changes in unearned premium provision		63,240		–
Currency translation differences		1,146		–
At the end of the year		64,386		–
Reinsurance amount				
At the start of the year		–		–
Premiums written	(83,643)		–	
Premiums earned	32,353		–	
Changes in unearned premium provision		(51,290)		–
Currency translation differences		(932)		–
At the end of the year		(52,222)		–

Notes to the Financial Statements *continued*

21 Technical provisions and deferred acquisition costs *continued*

(b) Claims outstanding

	2019 €000	2018 €000
Gross		
At the start of the year	–	–
Claims paid	135,374	–
Movement in claims incurred but not reported	(72,228)	–
Movement in claims outstanding	97,541	–
Movement in ULAE	(4,306)	–
Currency translation differences	369	–
At the end of the year	156,750	–
Reinsurance amount		
At the start of the year	–	–
Claims paid	(111,412)	–
Movement in claims incurred but not reported	58,069	–
Movement in claims outstanding	(78,367)	–
Movement in ULAE	3,445	–
Currency translation differences	(294)	–
At the end of the year	(128,559)	–

(c) Deferred acquisition costs

	2019 €000	2018 €000
Gross		
At the start of the year	–	–
Movement in provision	(5,383)	–
Currency translation differences	(61)	–
At the end of the year	(5,444)	–
Reinsurance amount		
At the start of the year	–	–
Movement in provision	4,351	–
Currency translation differences	48	–
At the end of the year	4,399	–

On 1 October 2019 the business written through the TICL branch in Ireland, its run-off branches in Netherlands, France and Germany, and the associated gross and ceded technical balances were transferred to the Company via a business transfer scheme under Part VII of the UK Financial Services and Markets Act 2000. The business transferred was then reinsured back to TICL by way of an 80% Quota Share reinsurance agreement. See note 29 for more information.

Notes to the Financial Statements *continued*

22 Analysis of insurance claims provisions

(a) Loss development tables

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an accident year basis. In presenting this information, the Company has taken advantage of the transitional arrangements incorporated in FRS103 and accordingly is presenting the data for the last nine accident years only, and not the full ten years normally required by FRS103. Balances have been translated at exchange rates prevailing at 31 December 2018.

Following the Part VII transfer under the Financial Services and Markets Act 2000 of insurance assets and liabilities from Travelers Insurance Company Limited ("TICL"), the below table has been amended to show the development of claims as if those transferred liabilities had always been held by the Company and that the 80% reinsurance quota share had always been in place.

Gross loss development table

Accident year	All prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	**Total**
	€000	€000	€000	£000	€000	€000	€000	€000	€000	€000	€000
Current estimate of gross ultimate claims											
At end of accident year	-	37,186	18,202	14,451	14,081	17,139	20,585	22,885	36,006	31,845	212,380
One year later	-	46,597	22,625	19,036	18,999	21,870	24,488	25,526	44,341	-	223,482
Two years later	-	48,731	22,653	21,552	18,759	21,475	24,308	26,338	-	-	183,816
Three years later	-	48,862	23,364	22,343	19,257	20,250	24,823	-	-	-	158,899
Four years later	-	48,302	23,463	24,474	18,540	19,299	-	-	-	-	134,078
Five years later	-	49,928	25,410	24,037	19,221	-	-	-	-	-	118,596
Six years later	-	50,893	23,562	20,349	-	-	-	-	-	-	94,804
Seven years later	-	50,943	22,594	-	-	-	-	-	-	-	73,537
Eight years later	-	51,220	-	-	-	-	-	-	-	-	51,220
Estimate of gross ultimate claims	-	51,220	22,594	20,349	19,221	19,299	24,823	26,338	44,341	31,845	260,030
Cumulative claims payments to date		47,122	19,888	17,316	14,457	13,509	13,030	14,709	29,768	5,974	175,773
Claims liability outstanding	68,187	4,098	2,706	3,033	4,764	5,790	11,793	11,629	14,573	25,871	152,444
ULAE											4,306
Gross claims outstanding											156,750

Net loss development table

Accident year	All prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	**Total**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Current estimate of net ultimate claims											
At end of accident year	-	7,402	3,625	2,803	2,767	3,338	4,031	4,441	5,607	6,169	40,183
One year later	-	9,289	4,401	3,724	3,747	4,292	4,779	5,027	6,378	-	41,637
Two years later	-	9,698	4,401	4,236	3,711	4,244	4,738	5,109	-	-	36,137
Three years later	-	9,716	4,546	4,372	3,821	4,027	4,838	-	-	-	31,320
Four years later	-	9,588	4,513	4,804	3,691	3,846	-	-	-	-	26,442
Five years later	-	9,846	4,928	4,796	3,830	-	-	-	-	-	23,400
Six years later	-	10,058	4,598	4,058	-	-	-	-	-	-	18,714
Seven years later	-	10,043	4,399	-	-	-	-	-	-	-	14,442
Eight years later	-	10,102	-	-	-	-	-	-	-	-	10,102
Estimate of net ultimate claims	-	10,102	4,399	4,058	3,830	3,846	4,838	5,109	6,378	6,169	48,729
Cumulative claims payments to date		9,281	3,882	3,443	2,862	2,685	2,559	2,901	3,543	1,194	32,350
Claims liability outstanding	10,951	821	517	615	968	1,161	2,279	2,208	2,835	4,975	27,330
ULAE											861
Net claims outstanding											28,191

Notes to the Financial Statements *continued*

23 Creditors arising out of direct insurance operations

	2019	2018
	€000	€000
Amounts owed to intermediaries	251	–
Amounts owed to policyholders	131	–
	382	–

24 Other creditors including taxation and social security

	2019	2018
	€000	€000
Insurance premium taxes	6,459	–
Amounts owed to group undertakings	2,443	–
Corporation tax payable	3	–
	8,905	–

All creditors are due within one year.

25 Accruals and deferred income

	2019	2018
	€000	€000
Reinsurers' share of deferred acquisition costs	4,400	–
Accrued expenses	359	15
	4,759	15

26 Related party transactions

As the Company is a wholly owned subsidiary of The Travelers Companies, Inc., it has taken advantage of the exemptions in FRS 102.33.1A not to disclose transactions or balances with other group entities which qualify as related parties.

Other than employees and directors' remuneration, which is disclosed in note 13, there are no other related party transactions that require disclosure.

27 Commitments and Contingent Liabilities

There were no commitments or contingent liabilities during the year ended 31 December 2019 or the period ended 31 December 2018.

28 Immediate and ultimate parent company

The immediate parent company is Travelers Insurance Company Limited, a company incorporated in England. The ultimate parent undertaking of the Company is The Travelers Companies, Inc., a company registered in the United States. Copies of The Travelers Companies, Inc. and Travelers Insurance Company Limited accounts can be obtained from this Company's registered office, Third floor, Block 8, Harcourt Centre, Charlotte Way, Dublin 2. Ireland or the Company's website: www.travelers.ie.

Notes to the Financial Statements *continued*

29 Part VII transfers

Travelers Insurance Designated Activity Company

On 1 October 2019 the business written through the TICL branch in Ireland, its run-off branches in Netherlands, France and Germany, and the associated gross and ceded technical balances were transferred to the Company via a business transfer scheme under Part VII of the UK Financial Services and Markets Act 2000. The business transferred was then reinsured back to TICL by way of an 80% Quota Share reinsurance agreement.

The assets and liabilities acquired in the year are as follows:

	Transferred in	Reinsured back to TICL	Net transferred
	€000	€000	€000
Investments	98,726	(104,170)	(5,444)
Reinsurers' share of technical provisions	23,152	104,777	127,929
Debtors arising out of insurance operations	494	–	494
Debtors arising out of reinsurance operations	1,139	–	1,139
Deferred acquisition costs	775	–	775
Cash at bank and in hand	33,361	–	33,361
Total assets transferred	157,647	607	158,254
Technical provisions	154,123	–	154,123
Creditors arising out of reinsurance operations	3,396	–	3,396
Other creditors	112	–	112
Accruals and deferred income	16	607	623
Total liabilities transferred	157,647	607	158,254
Net assets recognised on acquisition	–	–	–

The accounting treatment adopted for these transactions was as follows:

- The claims reserves transferred in under the Part VII transfer were reflected within the Profit and Loss account as an increase in claims reserves and an offsetting negative claims payment resulting in a net nil impact.
- The unearned premium reserve transferred in was treated as an increase in written premium with a corresponding increase in unearned premium reserves resulting in a net nil impact within the Profit and Loss account.

30 Post balance sheet events

Following year end, a global pandemic was declared due to the spread of a coronavirus ("COVID-19"). COVID-19 has already caused significant investment market uncertainty and volatility, supply chain interruptions and is expected to significantly disrupt the global economy. We currently do not expect that insured losses related to COVID-19 will have a material impact on the Company's financial condition and due to the nature of our investment portfolio, we believe we are well placed to withstand investment market volatility. However, the length and depth of the disruption to the economy is a concern and we will be monitoring developments closely. Economic downturns and financial disruptions in the past have resulted in, among other things, decreased business volumes, reduced valuations on the investment portfolio and heightened credit risk which can impact both the Company's investment portfolio and its insurance operations. In addition, declines in interest rates may lead to declines in fixed income yields, which would adversely impact the Company's net investment income from future investment activity. Also, the Company is subject to the risk of court cases and legislative or regulatory action interpreting or mandating coverage for business interruption claims which insurance policies do not currently cover. Our focus is the well-being of our staff and our ability to continue to provide service to our insureds. The Company is taking appropriate actions to safeguard employees and ensure it can continue to serve its insureds.

31 Approval of financial statements

The financial statements of the Company were approved for issue by the Board of Directors on 16 April 2020.

travelers.ie

Registered office:
Third Floor, Block 8, Harcourt Centre,
Charlotte Way, Dublin 2. Ireland
Registered in Ireland No 620416.

05/20