TRAVELERS

2020 ANNUAL REPORT

Travelers Insurance Designated Activity Company

Contents

The Company

Directors		*Nationality*
Brian Lehane	(Independent Non-Executive)	Ireland
Ian Britchfield	(Independent Non-Executive)	Ireland
James Liston		Ireland
Kevin Smith		USA
Maria Olivo		USA

Company Secretary	
Esterina Fiore	Britain
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 year ended 31 December 2020.

Principal activity

In 2020, 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 entered into a reinsurance arrangement with its immediate parent undertaking, Travelers Insurance Company Limited ("TICL"), in the form of an 80% Whole Account Quota Share ("Quota Share").

Business review and results for the year

In 2020, the Company reported a loss of €0.5 million (2019 profit €0.2 million) and a combined ratio of 103.5% (2019 101.9%).

Gross written premiums ("GWP") were €152.5 million (2019 €103.0 million). The two most material lines of business were Third Party Liability and Fire and Other Damage to Property, which respectively comprised 72.0% (2019 69.5%) and 21.0% (2019 22.6%) of GWP in 2020. Further information on the split of GWP by line of business and geographical location of insurance risk can be seen in Note 4. The increase in GWP year on year is predominantly driven by growth in Third Party Liability lines of business due to significant rate increases of greater than 20% achieved on Financial Lines classes and an increase in opportunities within the UK Management Liability market.

Net earned premiums ("NEP") were €24.1 million for 2020 (2019 €7.4 million). Claims incurred and operating expenses were €17.9 million (2019 €4.2 million) and €7.1 million (2019 €3.3 million) respectively, with a loss ratio of 74.2% (2019 56.4%) and an expense ratio of 29.3% (2019 45.4%). The 2019 expense ratio reflected the start-up nature of the Company as a result of the commencement of trading on 1 April 2019.

The 2020 loss ratio was adversely impacted by the Covid-19 pandemic ("Covid-19"). The Company has completed a review of potential claims relating to Covid-19, with the Company's reserves being adjusted accordingly. Additionally, the likelihood of increased claims frequency and severity during a recession has also been recognised. These actions are reflected in the 2020 loss ratio and in aggregate add 8.2% to the loss ratio. In addition, a change of mix in business resulted in an increase in the loss ratio of 6.1% due to Third Party Liability lines of business, carrying a higher expected loss ratio, with additional movement in the loss ratio due to claims development as the Company matures.

Our immediate priorities with the onset of the pandemic was the safety and health of our staff and providing a continuity of service to our insureds and brokers. We were fortunate in that we have invested significantly in IT equipment and systems over the last few years that ensured our staff could transition to working remotely and effectively immediately. We have also dedicated during the last year significant resources to ensuring the well-being of our staff, including the training of mental health first aiders and enhanced levels of communication from management at all levels.

Financial Instruments

The investment return was a loss of €0.2 million (2019 profit €0.3 million). 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 2020 totalled €87.5 million (2019 €80.7 million).

Trading environment and future developments

Due to uncertainty with respect to Covid-19 and the associated impact of ongoing government restrictions, the trading environment through 2020 has been challenging. The Company has continued the activities TICL had commenced with respect to the business transferred in October 2019 under Part VII of the UK Financial Services and Markets Act 2020, focusing on improving underwriting profitability through managing the mix of business written towards the higher margin products.

Capital management

The Company was in compliance with its regulatory capital requirements throughout the year and through to the date of this report.

The Company's financial strength is strong with net assets at 31 December 2020 of €65.0 million (2019 €65.8 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 2020 the Company did not pay a dividend (2019 €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 its 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").

Directors’ Report *continued*

Brexit *continued*

The UK exit from the EU was effective from 11pm on 31 December 2020, at which time the Brexit transitional arrangement ended. The Company had appropriate arrangements in place in order to enable The Travelers Companies, Inc. to continue trading within the EU and UK. The Company has a UK branch which is authorised by the Prudential Regulation Authority (“PRA”) and Financial Conduct Authority (“FCA”) in the UK under the Temporary Permissions Regime (“TPR”).

Post balance sheet events

On 15 January 2021 the UK Supreme Court passed judgement in the business interruption test case looking at coverage issues surrounding Covid-19. We welcome the judgment which largely confirmed the outcome of the UK High Court’s ruling. The judgment represents the final outcome of the Industry Test Case, and there can be no further appeals.

On 5 February 2021 the High Court in Ireland ruled on a case taken against an Irish insurer in relation to business interruption claims for four pub owners whose businesses have been disrupted by Covid-19. The judgement ruled in favour of the publican policyholders, noting their insurance policy wording included cover for business losses caused from having to close due to Covid-19.

Overall, the outcome of both rulings was in line with the Company’s expectations and consistent with its reserving assumptions.

On 6 March 2021, the Irish Judicial Council adopted personal injury guidelines which catalogue the level of damages for future compensation. Work is ongoing to assess the impact this will have on the Company’s financial performance.

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.

In March 2020, a global pandemic was declared due to the spread of Covid-19. During 2020 the Company reviewed its risk profile and associated impact of Covid-19 and continues to monitor developments as they arise.

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 employed a thoughtful philosophy 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 arrangement in place with TICL, its immediate parent. The net premiums paid by the Company to TICL are held within an escrow account. The assets held within the escrow account cannot be released to TICL until the assets within the account exceed the associated liabilities and then only after 31 December 2021. Claims payable relating to the Quota Share can be funded from the escrow account.

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.

Directors' Report *continued*

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 and secretaries interests

All directors and secretaries set out on page 2 served throughout the year and up to the approval of these accounts. The Directors and secretaries who held office at 31 December 2020 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 year.

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 throughout 2020. 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. The Board considers the main ongoing risks resulting from Covid-19 for the Company relate to a continued economic downturn with a possibility of volatility due to different waves of the virus. A range of stress scenarios related to the potential impacts of this event on the Company have been prepared and reviewed by the Board.

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. The creditworthiness of the Company's main reinsurer, which continues to maintain a Standard and Poor's credit rating of AA, has also been considered.

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 they 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.

Directors' Report *continued*

Political contributions

Political contributions were €nil during 2020 (2019 €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.

Auditors

KPMG, Chartered Accountants, were first appointed statutory auditor on 30 August 2019. Pursuant to the Company's audit tender process in 2020, Mazars will be appointed as auditor of the Company for the financial year ending 31 December 2021. KPMG will resign as the Company's auditor following completion of their statutory and regulatory audits for the financial year ended 31 December 2020.

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 by Section 225 (2) 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 they 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*
6 April 2021	6 April 2021

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 2020 set out on pages 11 to 42 which comprise the profit and loss account: 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* issued in the United Kingdom by the Financial Reporting Council.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its loss for the year then ended;
- the financial statements 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;*
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014; and
- the financial statements 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 30 August 2019. The period of total uninterrupted engagement is the 3 years ended 31 December 2020. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included using our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analyse how those risks might affect the Company's financial resources or ability to continue operations for at least a year from the date of approval of the financial statements. The risk that we considered most likely to adversely affect the Company's available financial resources over this period related to the valuation of technical provisions (claims outstanding) including the adverse impact caused by the COVID-19 pandemic.

We also considered less predictable but realistic second order impacts that could affect the Company such as the impact of the failure of counterparties who transact with the Company (such as policyholders and reinsurers), solvency and capital adequacy.

Based on the work we have performed, through inquiry with and review of the directors' documented assessment and related supporting information, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 (unchanged from 2019) was as follows:

Valuation of technical provisions (claims outstanding) – €218.8m (gross) (2019 - €156.8m)

Refer to pages 18 and 19 (accounting policy) and pages 23, 24, 38 and 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 based on the perceived uncertainty and potential volatility of underlying claims. Certain lines of business have greater inherent uncertainty. Additional uncertainty in the valuation of claims outstanding has arisen as a result of the COVID-19 pandemic and the estimation of resulting claims, particularly for Business Interruption ("BI") classes and the impact of legal rulings in Ireland and the UK. The valuation of insurance liabilities depends on complete and accurate claims 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 the Company in relation to insurance liabilities; • Independently re-projecting 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; • Assessing and challenging the methodologies applied and key assumptions used in the Company's valuation of certain reserving classes including latent claims based on our knowledge of the Company and experience of the industry in which it operates; • Comparison of the key 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; • Evaluating the appropriateness of the board of directors' margin to be applied to the actuarial best estimate, as recommended by the Audit Committee. This included assessing the directors' approach to setting the margin. We consider the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate through inquiry with the actuarial function and the directors, and, with respect to our understanding of any changes in the Company's risks and our own sector experience of approaches to setting the margin. In particular, we consider COVID-19 related uncertainties and the sufficiency of the margin to reflect those uncertainties; • 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 2020 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; • Inspecting a sample of Business Interruption policy documents, other policyholder and external information to verify assumptions and data used in the calculation of exposure to claims as a result of the legal ruling in Ireland and the UK and the Company's legal assessment of the extent of cover; and • Testing a sample of claims payments by agreeing balances per the relevant systems to bank statements. Overall, we found the key assumptions, methods and data used in, and the resulting estimate of, 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 €1.071m (2019: €798k), determined with reference to a benchmark of gross written premium (of which it represents 0.8% (2019: 0.8% of gross written premiums). We consider gross written premiums to be the most appropriate benchmark as it provides a stable measure year on year. We applied materiality to assist us determine what risks were significant risks and the procedures to be performed.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €54k (2019: €40k) 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 by the core engagement team in Dublin. In addition to this, we instructed colleagues in the UK and the US to carry out specified procedures.

Other information

The directors are responsible for 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 undertaken during the course of the audit, 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;
- 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 and profit and loss account – non technical account are 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.

We have nothing to report in this regard.

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 **http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for**.

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.

7 April 2021

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 2020

	Note	2020 €000	2019 €000
Gross premiums written	4, 6	**152,510**	**102,954**
Outward reinsurance premiums		(124,506)	(83,643)
Net premiums written		**28,004**	**19,311**
Change in the gross provision for unearned premiums	22	(20,435)	(63,240)
Change in the provision for unearned premiums, reinsurers' share	22	16,527	51,290
Net change in the provision for unearned premiums		**(3,908)**	**(11,950)**
Earned premiums, net of reinsurance		**24,096**	**7,361**
Allocated investment return transferred from the non-technical account		(228)	257
Claims paid:			
Gross amount		(27,521)	135,374
Reinsurers' share		22,182	(111,412)
Net claims paid		(5,339)	23,962
Change in the provision for claims:			
Gross amount	22	(62,922)	(156,381)
Reinsurers' share	22	50,384	128,265
Change in the net provision for claims		(12,538)	(28,116)
Claims incurred, net of reinsurance		**(17,877)**	**(4,154)**
Net operating expenses	9	(7,071)	(3,344)
Balance on the technical account - non-life insurance business		**(1,080)**	**120**

The notes on pages 17 to 42 form part of these financial statements.

Profit and Loss Account: Non-Technical Account

for the year ended 31 December 2020

	Note	**Year ended 2020** €000	Year ended 2019 €000
Balance on the technical account - non-life insurance business		**(1,080)**	**120**
Investment income	8	1,129	807
Investment expenses and charges	10	(1,357)	(476)
Net investment return		(228)	331
Allocated investment return transferred to the non-life insurance business technical account		228	(257)
Net investment income not allocated to the non-life insurance business technical account		–	74
Other income/(expenses)	11	156	(8)
(Loss)/profit on ordinary activities before tax	5, 12	**(924)**	**186**
Tax credit/(charge) on (loss)/profit on ordinary activities	14	461	(10)
(Loss)/profit for the financial year		**(463)**	**176**

The notes on pages 17 to 42 form part of these financial statements.

Statement of Comprehensive Loss

for the year ended 31 December 2020

	Note	**Year ended 2020** €000	Year ended 2019 €000
(Loss)/profit for the financial year		**(463)**	**176**
Unrealised loss on investments	15	(176)	(588)
Tax charge on unrealised losses on investments	14	(25)	–
Currency translation losses on foreign currency net investments		(72)	(207)
Tax credit on currency translation losses	14	12	–
Total comprehensive loss		**(724)**	**(619)**

The notes on pages 17 to 42 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital	Share premium	Capital contribution	Profit and loss account	Revaluation reserve	Total equity
	€000	€000	€000	€000	€000	€000
At 1 January 2019	**6,000**	**120**	**–**	**(9)**	**3**	**6,114**
Profit for the financial period	–	–	–	176	–	176
Other losses recognised in Other Comprehensive Loss						
Unrealised losses on investments, net of tax	–	–	–	–	(588)	(588)
Currency translation differences on foreign currency net investments, net of tax	–	–	–	(207)	–	(207)
Increase in capital	29,000	1,269	30,000	–	–	60,269
Balance at 31 December 2019	**35,000**	**1,389**	**30,000**	**(40)**	**(585)**	**65,764**
Loss for the financial year	–	–	–	(463)	–	(463)
Other losses recognised in Other Comprehensive Loss						
Unrealised losses on investments, net of tax	–	–	–	–	(201)	(201)
Currency translation differences on foreign currency net investments, net of tax	–	–	–	(60)	–	(60)
Balance at 31 December 2020	**35,000**	**1,389**	**30,000**	**(563)**	**(786)**	**65,040**

The profit and loss account includes €1.1 million of net realised losses (2019 €386.0 thousand), net of tax, which have been transferred from the revaluation reserve, of this a €20.1 thousand loss (2019 €3.0 thousand) relates to amounts brought forward from 31 December 2019 (2019 from 31 December 2018).

Balance Sheet

as at 31 December 2020

		2020	2019
ASSETS	Note	€000	€000
Investments			
Financial investments	15	87,492	80,730
Reinsurers' share of technical provisions			
Provision for unearned premiums	22	66,819	52,222
Claims outstanding	22	178,204	128,559
		245,023	180,781
Debtors			
Debtors arising out of insurance operations	16	47,453	43,003
Debtors arising out of reinsurance operations	17	526	3,932
Other debtors	18	945	2,656
		48,924	49,591
Other assets			
Deferred tax asset	20	473	–
Cash at bank and in hand		24,216	11,785
		24,689	11,785
Prepayments and accrued income			
Accrued interest	19	741	544
Deferred acquisition costs	22	7,656	5,444
		8,397	5,988
TOTAL ASSETS		**414,525**	**328,875**

The notes on pages 17 to 42 form part of these financial statements.

Balance Sheet *continued*

as at 31 December 2020

		2020	2019
LIABILITIES	Note	€000	€000
Capital and reserves			
Called up share capital presented as equity	21	35,000	35,000
Share premium account		1,389	1,389
Capital contribution		30,000	30,000
Profit and loss account		(563)	(40)
Revaluation reserve		(786)	(585)
Shareholders' funds attributable to equity interests		65,040	65,764
Technical provisions			
Provision for unearned premiums	22	82,460	64,386
Claims outstanding	22	218,761	156,750
		301,221	221,136
Creditors			
Creditors arising out of insurance operations	24	1,557	382
Creditors arising out of reinsurance operations	25	32,804	27,929
Other creditors including taxation and social security	26	6,453	8,905
		40,814	37,216
Accruals and deferred income	27	**7,450**	**4,759**
TOTAL LIABILITIES		**414,525**	**328,875**

These financial statements were approved by the Board of Directors on 6 April 2021 and were signed on its behalf by:

Kevin Smith
Director
6 April 2021

James Liston
Director
6 April 2021

Travelers Insurance Designated Activity Company
Registered in Ireland No. 620416

The notes on pages 17 to 42 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"), 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.

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. The Board considers the main ongoing risks resulting from Covid-19 for the Company relate to a continued economic downturn with a possibility of volatility due to different waves of the virus. A range of stress scenarios related to the potential impacts of this event on the Company have been prepared and reviewed by the Board.

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. The creditworthiness of the Company's main reinsurer, which continues to maintain a Standard and Poor's credit rating of AA, has also been considered.

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 they 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.

Income relating to profit commissions on reinsurance arrangements is recognised in the accounting period for which any related underwriting profit is calculated. Any such income is presented within reinsurance commissions and profit participations 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 and liabilities are recognised when the Company becomes a party to the contractual provisions of the asset or liability. 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 anticipatedrecovery in value;
- the likelihood of the recoveries in full of the principal and interest (i.e., whether there is a credit loss); and
- 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 any non-trading period remains 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 U.S. 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. The Board of TML award stock options to eligible Irish and UK based employees and recharge the associated costs to the Company.

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 2020 was €130.3 million (2019 €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 the Company's appetite additional facultative reinsurance may also be considered through participation in the European Travelers reinsurance programme. In addition, the Company has a reinsurance arrangement with its immediate parent undertaking in the form of an 80% Quota Share.

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*

Insurance risk *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:

	2020			
	Ireland	United Kingdom	Other	Total
	€000	€000	€000	€000
Credit and Suretyship	792	22	240	1,054
Fire and other damage to property	16,813	13,983	1,241	32,037
Marine	35	78	–	113
Motor	9,507	1	19	9,527
Third party liability	17,503	78,554	13,722	109,779
Total	44,650	92,638	15,222	152,510

	2019			
	Ireland	United Kingdom	Other	Total
	€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

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:

	2020	2019
	€000	€000
Total decrease in result after tax and net assets	211	64

Profit and loss sensitivity to expenses

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

	2020	2019
	€000	€000
Total decrease in result after tax and net assets	309	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 arrangement in place with TICL, its immediate parent. The net premiums paid by the Company to TICL are held within an escrow account. The assets held within the escrow account cannot be released to TICL until the assets within the account exceed the associated liabilities and then only after 31 December 2021. Claims payable relating to the Quota Share can be funded from the escrow account.

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:

			2020			
	AAA	AA	A	BBB	Not rated	Total
	€000	€000	€000	€000	€000	€000
Investments	39,760	24,310	23,422	–	–	87,492
Reinsurance claims outstanding	–	174,363	3,663	–	178	178,204
Reinsurance debtors	–	526	–	–	–	526
Insurance debtors	–	–	–	–	47,453	47,453
Other debtors	–	–	–	–	945	945
Cash at bank and in hand	–	2,583	21,633	–	–	24,216
Total by rating	39,760	201,782	48,718	–	48,576	338,836
Percentage by rating	11.7%	59.6%	14.4%	0.0%	14.3%	100.0%

			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%

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 2020 and 2019. Within the AA rating, the largest counterparty exposure was Walmart Inc. as at 31 December 2020 (2019 LVMH Moet Hennessy Louis Vuitton). 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 largest reinsurance counterparty exposure within the AA rating at both 31 December 2020 and 2019 is TICL.

As at 31 December 2020 and 2019 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:

			2020			
	Within terms	0 - 1 month	2 - 3 months	Over 3 months	Impairments	Total
	€000	€000	€000	€000	€000	€000
Investments	87,492	–	–	–	–	87,492
Reinsurance claims outstanding	178,204	–	–	–	–	178,204
Reinsurance debtors	2	367	157	–	–	526
Insurance debtors	43,363	1,297	2,295	517	(19)	47,453
Other debtors	945	–	–	–	–	945
Cash at bank and in hand	24,216	–	–	–	–	24,216
Total	334,222	1,664	2,452	517	(19)	338,836

			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

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 €2.1 million (2019 €2.2 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 liabilities are broadly matched by Euro and Sterling assets 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 2020	66,514	(2,867)	1,393	65,040
Net assets 31 December 2019	70,308	(3,309)	(1,235)	65,764

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 2020	251	(251)	(122)	122
Increase/(decrease) in net assets 31 December 2019	290	(290)	108	(108)

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:

	2020			
	Total	0 - 1 year	2 - 5 years	More than 5 years
	€000	€000	€000	€000
Technical provisions	301,221	142,068	132,098	27,055
Creditors	40,814	40,814	–	–
Total	342,035	182,882	132,098	27,055

	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

Capital management risk

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 2020 available capital on this basis comprised €64.6 million (2019 €64.6 million).

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 2020 the Company's regulatory solvency capital requirement was €37.4 million (2019 €26.3 million) and its coverage ratio was 172.7% (2019 245.6%).

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 business technical and non-technical account between run-off and continuing operations is as follows:

	2020		2019	
	Continuing operations €000	Run-off operations €000	Continuing operations €000	Run-off operations €000
Net premiums written	28,004	–	19,311	–
Net premiums earned	24,096	–	7,361	–
Allocated investment return	(309)	81	208	49
	23,787	81	7,569	49
Claims paid - gross amount	(25,340)	(2,181)	89,632	45,742
Claims paid - reinsurers' amount	20,437	1,745	(72,430)	(38,982)
Change in provisions for claims - gross amount	(63,769)	847	(109,957)	(46,424)
Change in provisions for claims - reinsurers' amount	51,020	(636)	88,737	39,528
Claims incurred, net of reinsurance	(17,652)	(225)	(4,018)	(136)
Net operating expenses	(7,027)	(44)	(3,319)	(25)
Balance on the technical account	(892)	(188)	232	(112)
Investment income	1,048	81	758	49
Investment expenses and charges	(1,357)	–	(476)	–
	(309)	81	282	49
Allocated investment return transferred to the non-life technical account	309	(81)	(208)	(49)
Other income/(charges)	34	122	(12)	4
(Loss)/profit on ordinary activities before tax	(858)	(66)	294	(108)

Notes to the Financial Statements *continued*

6 Analysis of underwriting result

(a) Analysis of gross premiums and (loss)/profit before tax

	2020		
	Gross premiums written	Gross premiums earned	(Loss)/profit before tax
	€000	€000	€000
By geographical segment			
Republic of Ireland	51,696	49,548	(607)
United Kingdom	100,814	82,527	5
Other Europe	–	–	(322)
Total	152,510	132,075	(924)

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

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

	2020	2019
	€000	€000
Resulting from contracts concluded by the Company:		
Direct	150,683	101,253
Inwards reinsurance	1,827	1,701
Total	152,510	102,954

Notes to the Financial Statements *continued*

6 Analysis of underwriting result *continued*

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

	2020				
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance
	€000	€000	€000	€000	€000
Credit and Suretyship	1,054	816	(115)	(10)	(575)
Fire and other damage to property	32,037	28,623	(14,034)	(10,825)	(4,127)
Marine	113	116	(9)	(13)	(86)
Motor	9,526	9,356	(4,958)	(3,773)	(564)
Third party liability	109,780	93,164	(71,327)	(22,906)	395
Total	152,510	132,075	(90,443)	(37,527)	(4,957)

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

Commission payable in respect of direct insurance amounted to €17.4 million (2019 €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.

7 Net prior years’ claims provisions

(Under)/over provisions for claims held at the beginning of the financial year compared to payments made during and provisions held at the end of the financial year in respect of prior years’ claims are as follows:

	2020	2019
	€000	€000
Credit and Suretyship	23	–
Fire and other damage to property	(135)	–
Motor	(142)	1
Other	4	–
Third party liability	(1,573)	(125)
Total	(1,823)	(124)

Notes to the Financial Statements *continued*

8 Investment income

	2020	2019
	€000	€000
Income from investments	1,114	807
Gains on the realisation of investments	15	–
Total	1,129	807

Investment returns of €74.0 thousand which related to the non-trading period from 1 January 2019 to 31 March 2019 were not allocated to the Technical Account. From 1 April 2019, all investment returns have been allocated to the Technical Account.

9 Net operating expenses

	2020	2019
	€000	€000
Acquisition costs	17,378	10,234
Change in gross deferred acquisition costs	(2,361)	(5,383)
	15,017	4,851
Administrative expenses	22,510	11,994
Gross operating expenses	37,527	16,845
Reinsurance commissions and profit participation	(32,372)	(17,852)
Change in deferred reinsurance commission	1,916	4,351
Total	7,071	3,344

10 Investment expenses and charges

	2020	2019
	€000	€000
Investment management expenses	83	36
Losses on the realisation of investments	1,274	440
Total	1,357	476

11 Other income/(expenses)

	2020	2019
	€000	€000
Foreign exchange loss	(133)	(687)
Other income	289	679
Total	156	(8)

Notes to the Financial Statements *continued*

12 (Loss)/Profit on ordinary activities before tax

	2020	2019
	€000	€000
(Loss)/profit on ordinary activities before tax is stated after crediting		
Income from fixed income investments	1,114	807
after charging		
Auditor's remuneration:		
Audit of these financial statements	130	134
Non-audit services:		
Audit-related assurance services	63	61

13 Employees and directors

(a) The staff costs during the period were:	**2020**	2019
	€000	€000
Wages and Salaries	1,242	709
Share based payments	116	69
Social security costs	254	126
Other pension costs	87	54
Total	1,699	958

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

The average number of employees, including executive directors, employed during 2020 was 6 (2019 6).

	2020	2019
	€000	€000
Claims and underwriting	555	272
Financial and actuarial	379	173
Executive and other	765	513
Total	1,699	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:	**2020**	2019
	€000	€000
Directors' emoluments	578	416
Company contributions to share saver schemes	17	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 (credit)/charge for the year

(a) Tax included in the non-technical account	**2020** €000	2019 €000
Ireland Corporation Tax		
Ireland Corporation Tax at 12.5% (2019 12.5%)	7	5
Total current tax charge	7	5
Foreign tax		
Adjustments in respect of prior periods	18	2
Deferred tax		
Deferred tax (credit)/charge	(486)	3
Tax (credit)/charge on (loss)/profit on ordinary activities	(461)	10

(b) Tax included in Other Comprehensive Loss	**2020** €000	2019 €000
Deferred tax		
Charge on unrealised losses on investments	25	–
Credit on currency translation	(12)	–
Tax charge on Other Comprehensive Loss	13	–

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

The tax (credit)/charge for the year is higher than the standard rate of corporation tax in Ireland (2019 lower than the standard rate):

	2020 €000	2019 €000
(Loss)/profit on ordinary activities before tax	(924)	186
Tax using the corporation tax rate of 12.5% (2019 12.5%)	(116)	23
Prior year adjustment - current tax	25	3
Prior year adjustment - deferred tax	(510)	–
Foreign tax	(59)	2
Unrecognised deferred tax	199	(18)
Total tax (credit)/charge	(461)	10

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% 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 2019 UK branch tax computation, £1.8 million (€2.1 million) of deferred tax losses were transferred into the Company and are now held within recognised deferred tax.

As at 31 December 2020 the Company had unrecognised tax losses carried forward of €112.0 million (2019 €110.4 million).

Notes to the Financial Statements *continued*

15 Investments

(a) *Fair value*

	Fair Value **2020** €000	Fair Value 2019 €000	Cost **2020** €000	Cost 2019 €000
Debt and other fixed income securities	87,492	80,730	88,256	81,318
Included in debt and other fixed income securities:				
Irish fixed income securities	2,172	–	2,171	–
Overseas fixed income securities	85,320	80,730	86,085	81,318
Total	87,492	80,730	88,256	81,318

(b) *Movement in the year*

	2020 €000	2019 €000
Investments brought forward	80,730	6,119
Purchases	36,981	233,716
Fair value adjustments	(176)	(588)
Disposals/maturities	(30,132)	(158,528)
Currency translation movements	89	11
Investments carried forward	87,492	80,730

(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; and
- 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 2020 and 31 December 2019.

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 present 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 2020	-	87,492	-	87,492
Financial assets as at 31 December 2019	-	80,730	-	80,730

16 Debtors arising out of insurance operations

	2020	2019
	€000	€000
Amounts owed by intermediaries	47,392	43,003
Amounts owed by policyholders	61	–
Total	47,453	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. All debtors are due within one year.

17 Debtors arising out of reinsurance operations

	2020	2019
	€000	€000
Amounts owed by reinsurers	526	3,932

All Debtors are due within one year.

Notes to the Financial Statements *continued*

18 Other debtors

	2020	2019
	€000	€000
Amounts owed by group undertakings	931	2,656
Corporation tax receivable	14	–
Total	945	2,656

All debtors are due within one year.

19 Accrued income

	2020	2019
	€000	€000
Other accrued income	249	–
Accrued interest	492	544
Total	741	544

20 Deferred tax asset

The amounts provided for deferred taxation are set out below:

	2020			
	Tax Losses	Unrealised (loss)/gains on investments	Currency translation	Total net deferred tax asset
	€000	€000	€000	€000
Deferred tax asset/(liability) brought forward	–	–	–	–
Current year P&L	175	–	–	175
Prior year P&L adjustments	510	–	–	510
Unrecognised deferred tax	(199)	–	–	(199)
Other Comprehensive Income	–	(25)	12	(13)
Total	486	(25)	12	473

	2019			
	Tax Losses	Unrealised gains/(loss) on investments	Currency translation	Total net deferred tax asset
	€000	€000	€000	€000
Deferred tax asset/(liability) brought forward	3	–	–	3
Prior year P&L	(3)	–	–	(3)
Total	–	–	–	–

The tax losses carried forward have no time limit. €112.0 million of losses carried forward were unprovided for in the year (2019 €110.4 million). The net reversal of deferred tax expected to occur next year is €17.5 thousand, relating to the release of tax losses carried forward of €140.0 thousand.

In the UK's 2021 Budget, the UK government announced the UK corporation tax rate will increase to 25% in 2023 which will increase the deferred tax asset by €0.1m. This has not yet received Royal Assent.

Notes to the Financial Statements *continued*

21 Called up share capital

	2020 €000	2019 €000
Authorised		
100,000,000 (2019 100,000,000) ordinary shares of €1 each	100,000	100,000

	2020 €000	2019 €000
Allotted, called up and fully paid		
35,000,001 (2019 35,000,001) ordinary shares of €1 each	35,000	35,000

22 Technical provisions and deferred acquisition costs

(a) Unearned premium provision

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€000	€000	€000	€000	€000	€000
Balance as at 1 January	64,386	52,222	12,164	–	–	–
Change in unearned premiums	20,435	16,527	3,908	63,240	51,290	11,950
Effect of movements in exchange rates	(2,361)	(1,930)	(431)	1,146	932	214
Balance as at 31 December	82,460	66,819	15,641	64,386	52,222	12,164

(b) Claims outstanding

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€000	€000	€000	€000	€000	€000
Balance as at 1 January	156,750	128,559	28,191	–	–	–
Change in claims outstanding	62,922	50,384	12,538	156,381	128,265	28,116
Effect of movements in exchange rates	(911)	(739)	(172)	369	294	75
Balance as at 31 December	218,761	178,204	40,557	156,750	128,559	28,191

Claims notified	82,604	68,696	13,908	79,870	66,769	13,101
Claims incurred but not reported	130,320	104,838	25,482	72,574	58,346	14,228
Unallocated loss adjustment expenses	5,837	4,670	1,167	4,306	3,444	862
Balance as at 31 December	218,761	178,204	40,557	156,750	128,559	28,191

(c) Deferred acquisition costs

	2020	2019
Gross	€000	€000
At the start of the year	(5,444)	–
Movement in provision	(2,361)	(5,383)
Currency translation differences	149	(61)
At the end of the year	(7,656)	(5,444)

	2020	2019
Reinsurance amount	€000	€000
At the start of the year	4,399	–
Movement in provision	1,916	4,351
Currency translation differences	(120)	48
At the end of the year	6,195	4,399

Notes to the Financial Statements *continued*

23 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. Balances have been translated at exchange rates prevailing at 31 December 2020.

Gross loss development table

Accident year	All prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**Total**
	€000	€000	€000	£000	€000	€000	€000	€000	€000	€000	€000	€000
Current estimate of gross ultimate claims												
At end of accident year	-	44,898	21,969	18,240	17,463	21,984	21,908	23,079	37,066	31,806	77,944	316,357
One year later	-	46,597	22,625	19,036	18,999	21,944	24,542	25,651	44,341	38,533	-	262,268
Two years later	-	48,731	22,653	21,552	19,006	21,475	24,367	26,463	43,737	-	-	227,984
Three years later	-	48,862	23,364	22,400	18,998	20,397	24,882	25,159	-	-	-	184,062
Four years later	-	48,302	23,467	22,307	18,426	19,331	25,017	-	-	-	-	156,850
Five years later	-	50,076	24,335	21,540	19,084	19,415	-	-	-	-	-	134,450
Six years later	-	52,041	23,566	20,406	20,629	-	-	-	-	-	-	116,642
Seven years later	-	52,953	22,598	21,330	-	-	-	-	-	-	-	96,881
Eight years later	-	52,731	22,888	-	-	-	-	-	-	-	-	75,619
Nine years later	-	51,513	-	-	-	-	-	-	-	-	-	51,513
Estimate of gross ultimate claims	-	51,513	22,888	21,330	20,629	19,415	25,017	25,159	43,737	38,533	77,944	346,165
Cumulative claims payments to date		47,503	20,556	18,429	16,356	15,110	15,218	16,470	33,003	7,568	6,288	196,501
Claims liability outstanding	63,260	4,010	2,332	2,901	4,273	4,305	9,799	8,689	10,734	30,965	71,656	212,924
ULAE												5,837
Gross claims outstanding												**218,761**

Net loss development table

Accident year	All prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**Total**
	€000	€000	€000	£000	€000	€000	€000	€000	€000	€000	€000	€000
Current estimate of net ultimate claims												
At end of accident year	-	8,945	4,274	3,569	3,374	4,238	4,241	4,521	5,902	6,175	15,045	60,284
One year later	-	9,195	4,442	3,755	3,717	4,270	4,794	5,052	6,378	7,574	-	49,177
Two years later	-	9,616	4,456	4,270	3,751	4,225	4,750	5,134	6,312	-	-	42,514
Three years later	-	9,646	4,576	4,449	3,781	4,056	4,849	4,900	-	-	-	36,257
Four years later	-	9,481	4,603	4,447	3,669	3,852	4,894	-	-	-	-	30,946
Five years later	-	9,861	4,752	4,296	3,802	3,870	-	-	-	-	-	26,581
Six years later	-	10,267	4,599	4,070	4,111	-	-	-	-	-	-	23,047
Seven years later	-	10,445	4,400	4,254	-	-	-	-	-	-	-	19,099
Eight years later	-	10,405	4,454	-	-	-	-	-	-	-	-	14,859
Nine years later	-	10,157	-	-	-	-	-	-	-	-	-	10,157
Estimate of gross ultimate claims	-	10,157	4,454	4,254	4,111	3,870	4,894	4,900	6,312	7,574	15,045	65,571
Cumulative claims payments to date		9,359	4,024	3,675	3,264	3,013	2,969	3,229	4,212	1,512	1,191	36,448
Claims liability outstanding	10,267	798	430	579	847	857	1,925	1,671	2,100	6,062	13,854	39,390
ULAE												1,167
Net claims outstanding												**40,557**

Notes to the Financial Statements *continued*

24 Creditors arising out of direct insurance operations

	2020	2019
	€000	€000
Amounts owed to intermediaries	1,412	251
Amounts owed to policyholders	145	131
Total	1,557	382

All creditors are due within one year.

25 Creditors arising out of reinsurance operations

	2020	2019
	€000	€000
Amounts owed to third party reinsurers	2,436	2,711
Amounts owed to group reinsurer	30,368	25,218
Total	32,804	27,929

All creditors are due within one year.

26 Other creditors including taxation and social security

	2020	2019
	€000	€000
Insurance premium taxes	5,320	6,459
Amounts owed to group undertakings	1,133	2,443
Corporation tax payable	–	3
Total	6,453	8,905

All creditors are due within one year.

27 Accruals and deferred income

	2020	2019
	€000	€000
Reinsurers' share of deferred acquisition costs	6,195	4,400
Accrued expenses	1,255	359
Total	7,450	4,759

Notes to the Financial Statements *continued*

28 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.

29 Commitments and Contingent Liabilities

There were no commitments or contingent liabilities at 31 December 2020 or 31 December 2019.

30 Immediate and ultimate parent company

The immediate parent company is Travelers Insurance Company Limited, a company incorporated in England. The ultimate parent undertaking, which is the smallest and largest group that includes the Company's accounts in consolidation 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.

31 Post balance sheet events

On 15 January 2021 the UK Supreme Court passed judgement in the business interruption test case looking at coverage issues surrounding Covid-19, which largely confirmed the outcome of the UK High Court's ruling. The judgment represents the final outcome of the Industry Test Case, and there can be no further appeals.

On 5 February 2021 the High Court in Ireland ruled on a case taken against an Irish insurer in relation to business interruption claims for four pub owners whose businesses have been disrupted by Covid-19. The judgement ruled in favour of the publican policyholders, noting their insurance policy wording included cover for business losses caused from having to close due to Covid-19.

Overall, the outcome of both rulings was in line with the Company's expectations and consistent with its reserving assumptions.

On 6 March 2021, the Irish Judicial Council adopted personal injury guidelines which catalogue the level of damages for future compensation. Work is ongoing to assess the impact this will have on the Company's financial performance.

Notes to the Financial Statements *continued*

32 Part VII transfer - Travelers Insurance Company Limited

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 2019 were 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.

The above information has been included for comparative purposes only. No new transfers of business occurred in 2020.

33 Approval of financial statements

The financial statements of the Company were approved for issue by the Board of Directors on 6 April 2021.

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Travelers Insurance Designated Activity Company is authorised by the Central Bank of Ireland.

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

05/21