TRAVELERS

2021 ANNUAL REPORT

Travelers Insurance Designated Activity Company

Contents

The Company

Directors		*Nationality*	*Appointed*	*Resigned*
Brian Lehane	(independent non-executive)	Ireland		
Ian Britchfield	(independent non-executive)	Ireland		
James Liston	(executive)	Ireland		
Kevin Smith	(non-executive)	USA		17 February 2022
Maria Olivo	(non-executive)	USA		
Mike Lawton	(non-executive)	UK	27 October 2021	

Company Secretary	
Esterina Fiore	UK
John Abramson	UK

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Third floor Block 8
Harcourt Centre
Charlotte Way
Dublin 2
Ireland

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Bankers
Barclays PLC
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Dublin 2
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Citibank N.A.
CGC Centre
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London, UK

Auditors
Mazars
Chartered Accountants and Statutory Audit Firm
Harcourt Centre
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Solicitors
Matheson
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Dublin 2
Ireland

Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2021.

Principal activity

In 2021, 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.

Business review and results for the year

In 2021, the Company reported a profit after tax of €2.9 million (2020 loss after tax €0.5 million) and a combined ratio of 88.5% (2020 103.5%).

Gross premiums written ("GWP") were €215.8 million (2020 €152.5 million). The two most material lines of business were Third Party Liability and Fire and Other Damage to Property, which respectively comprised 71.2% (2020 72.0%) and 22.7% (2020 21.0%) of GWP in 2021. 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 achieved on Financial Lines classes and an increase in opportunities within the Management Liability and Financial Institution markets within the UK and Europe.

Net earned premiums ("NEP") were €34.2 million for 2021 (2020 €24.1 million). Claims incurred and operating expenses were €20.7 million (2020 €17.9 million) and €9.5 million (2020 €7.1 million) respectively, with a loss ratio of 60.6% (2020 74.2%) and an expense ratio of 27.9% (2020 29.3%).

The 2020 loss ratio was adversely impacted by the Covid-19 pandemic ("Covid-19"). While the Company continues to monitor developments as a result of Covid-19, the rulings of the UK Supreme and Irish high courts early in 2021 were in line with the Company's expectations and consistent with its reserving assumptions. On this basis no additional reserving actions with respect to Covid-19 were taken in 2021. The loss ratio improvement reflects favourable prior year development on legacy portfolios transferred to the Company in 2019 via a business transfer scheme under Part VII of the UK Financial Services and Market Act 2000 and a change in the mix of business through the growth of Financial Lines.

Following the onset of the pandemic in 2020, the Company's immediate priorities were the safety and health of our staff and providing a continuity of service to our insureds and brokers. As a result of ongoing restrictions through 2021, in the most part our staff have continued to work remotely and effectively. We have maintained our dedication to ensuring the well-being of our staff, including continuing to offer mental health support and enhanced levels of communication from management at all levels.

Key Performance Indicators ("KPIs")

The below table shows the most relevant KPIs the Directors use to manage the business. These KPIs are discussed further in the financial results section of the Business review and results above.

	2021 £000	2020 £000
Gross premiums written	215,800	152,510
Profit/(loss) for the financial year	2,941	(463)
Loss ratio	60.6%	74.2%
Expense ratio	27.9%	29.3%
Combined ratio	88.5%	103.5%

The loss ratio represents the claims incurred as a percentage of earned premium, both net of reinsurance.

The expense ratio represents the commission and operating expenses as a percentage of earned premium, both net of reinsurance.

The combined ratio is the loss ratio plus expense ratio.

Financial instruments

The investment return was a gain of €0.5 million (2020 loss €0.2 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 2021 totalled €144.8 million (2020 €87.5 million).

Trading environment and future developments

Due to ongoing developments with respect to Covid-19 and supply chain disruption, there was uncertainty surrounding the trading environment entering into 2021. The Company continued to focus on improving underwriting profitability through managing the mix of business written towards higher margin products. The European and UK financial lines market remained hard during the year, and the Company achieved strong rate on its financial line products improving its underwriting profitability.

The markets the Company operates in remain competitive. The Company will continue to focus on maintaining underwriting profitability through managing the mix of business and risks throughout Europe and the UK.

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 2021 of €96.3 million (2020 €65.0 million). As of 6 April 2022 the Company's financial strength ratings are A++ (Superior) from AM Best and AA- from Standard and Poor's.

Directors' Report *continued*

Capital management *continued*

During 2021, the parent company, Travelers Insurance Company Limited ("TICL") provided a capital injection of €30.0 million in return for the issuance of 30 million new €1 ordinary shares in order to support the Company's ongoing growth.

Dividend

During 2021, the Company did not pay a dividend (2020 €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 on 28 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").

The UK exit from the EU was effective from 11pm on 31 December 2020, at which time the Brexit transitionary 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"). The Company's third country branch application will be made to the PRA by the end of 2022, with authorisation expected in 2023.

Principal risks and uncertainties

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

Insurance Risk

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

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

One aspect of insurance risk is the risk of changing climate conditions. This is discussed further below.

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. 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% Whole Account Quota Share ("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.

One aspect of market risk is the risk of changing climate conditions. This is discussed further in the Directors' report.

Operational Risk

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

Regulatory Risk

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

Conduct Risk

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

Liquidity Risk

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

Directors' Report *continued*

Directors and secretaries interests

The Directors and secretaries are set out on page 2. The Directors and secretaries who held office at 31 December 2021 and 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 of two independent non-executive directors. Brian Lehane has been Chairman of the Audit Committee throughout 2021. 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

The Directors have assessed the suitability of using the going concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Company does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the latest three year business plan, the likely trading environment and the financial strength of the parent company, The Travelers Companies, Inc. The Directors concluded that it remained appropriate to continue to prepare the Company's financial statements using the Going Concern assumption.

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.

Post balance sheet events

The geopolitical conflict in Ukraine has arisen subsequent to the end of the year. The Company does not have material exposures to Russia and Ukraine and, as such, does not expect this conflict to have a material impact on its results.

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.

Climate reporting

The Company follows The Travelers Companies, Inc. in its approach to climate-related risks and opportunities. The approach is multi-faceted and allows the Company to mitigate exposure to climate-related risks and provide products and services that both help customers mitigate those risks and support the transition to a low carbon economy. In the latter regard, the Company provides insurance coverage to the Renewable Energy Sector.

As part of its regular risk management activities, the Company's Board of Directors and its Risk and Remuneration Committee consider changing climate conditions, including changes in frequency and severity of catastrophe losses and uncertainty surrounding weather volatility and climate-related risk, and the impact on investment valuations that may occur as part of the transition to a low carbon economy.

The Company's underwriting risk appetite is dependent on the ability to understand the property and casualty risks that it underwrites. Understanding the climate-related impacts on insured perils is part of this fundamental risk evaluation process. Core to this strategy is the incorporation of climate variability into underwriting and pricing decisions. The Company is also committed to supporting our clients with meaningful risk management and insurance capacity to help them transition to a low carbon future.

Market Risk is managed by employing a thoughtful and responsible investment philosophy that focuses on appropriate risk-adjusted returns. The investment strategy, approved by the Board of Directors, reflects a long-term approach to sustainable value creation and requires that Travelers consider environmental, social and governance (ESG) factors in the investment process to the extent relevant.

As part of the Company's annual Own Risk and Solvency Assessment ('ORSA') process, two stress scenarios relating to changing climate conditions were considered and applied to the

Directors' Report *continued*

Climate reporting *continued*

current balance sheet. Keeping the significant uncertainties associated with climate stress testing in mind, these scenarios took into consideration the insurance and market risks noted above, and in both scenarios the potential impacts on the Company's modelled capital position were modest.

Political contributions

Political contributions were €nil during 2021 (2020 €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

Following a tender process, Mazars, Chartered Accountants and Statutory Audit firm, were appointed statutory auditor on 14 July 2021 and pursuant to section 383(2) of the Companies Act 2014 will continue in office.

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

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 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

Mario Olivo	**James Liston**
Director	*Director*
6 April 2022	6 April 2022

Third floor, Block 8
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Charlotte Way
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Ireland

Independent Auditor's Report to the Members of Travelers Insurance DAC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Travelers Insurance DAC ("the Company") for the year ended 31 December 2021, which comprise the profit and loss account (technical and non-technical account), the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the Company financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is the Companies Act, 2014, 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 accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021, and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts"; and
- have been properly prepared in accordance with the requirements of the Companies Act, 2014.

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 for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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 audit procedures to evaluate the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to the following:

- assessed the appropriateness of management's going concern assessment process;
- reviewed the reasonableness of the financial information contained within this assessment;
- evaluated management's future business plan and challenged growth rate assumptions used in forecasting income;
- challenged and benchmarked the underlying key assumptions applied as part of the process, as compared to best practice and industry expectations;
- considered other corroborative supporting evidence / analysis to substantiate the conclusions presented in this assessment;
- reviewed the stress scenarios relating to the underlying key assumptions and evaluated the outcome under this exercise;
- determined whether current key events have been appropriately considered and reflected in the assessment performed by management; and
- ensured that there is sufficiency of disclosures in the financial statements pertaining to the going concern assessment.

Based on the work we have performed, 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, 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.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

Independent Auditor's Report to the Members of Travelers Insurance DAC *continued*

Key audit matters *continued*

Valuation of technical provisions	How our audit addressed this key audit matter
The true and fair presentation of the Company's financial position and operating results depends significantly, on the reasonableness and adequacy of technical provisions. The valuation of technical provisions is an inherently complex process and there is a potential risk of errors in the data, assumptions, methodology and / or the models utilised in the actuarial valuation of them. Additionally, the overall growth of the business over the past year adds a further layer of complexity to the reserving process. Technical provisions (excluding UPR) amounted to €304m as at 31 December 2021. Please refer to the accounting policy in note 2 and the disclosures in note 22 of the financial statements.	We addressed this risk with the assistance of our actuarial specialists through the following procedures: • performed walkthrough procedures to obtain an understanding of the overall reserving process and assessed the design and implementation and operating effectiveness of controls over premiums, claims data and the overall reserving process; • on a sample basis, tested reported claims reserves and assessed the appropriateness of booked reserves based on supporting documentation and convened discussions with relevant claims handlers to obtain an understanding of the rationale for setting the reserves, where applicable; • data integrity testing on the completeness and accuracy of claims data; • performed independent best estimate re-projections on the most significant components of gross reserves; • performed diagnostics analysis on all ongoing lines of business as applicable to gross reserves; • challenged key areas of uncertainty and actuarial assumptions and evaluated the appropriateness of the reserving methodologies applied by management to establish Incurred But Not Reported ("IBNR") reserves, and any changes arising since the previous year-end; • considered the continued impact of Covid-19 on the business, as well as the impact of the Judicial reforms regarding personal injuries claims, claims notification and settlement trends, and reviewing any resulting change in actuarial reserving assumptions and methodology as a result of these; • reviewed the appropriateness of the calculated Unallocated Loss Adjustment Expenses reserve ("ULAE"); • assessed the impact of reinsurance arrangements on the level of technical provisions; and • considered the adequacy and completeness of the relevant disclosures in the financial statements, and assessed whether they are in compliance with FRS 102 / FRS 103. including adherence to the Company's reserving policy. Based on the procedures performed, review of supporting documentation and discussions with management, we conclude that the valuation of technical provisions is reasonable.

Our application of materiality

We apply the concept of materiality in planning and performing the audit and in evaluating the impact of misstatements, if any. Materiality is an expression of the relative significance or importance of a matter in the context of the financial statements. Misstatements in the financial statements are material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Independent Auditor's Report to the Members of Travelers Insurance DAC *continued*

Overall materiality	€ 1.94m
How we determined it	1% of forecasted gross written premium
Rationale for benchmark applied	In determining our materiality, we have applied professional judgement and considered those financial metrics, which we believed to be relevant, and concluded that gross written premium was the most relevant benchmark. In our view, this is a metric against which the Company is commonly measured by its stakeholders
Reporting threshold	We agreed with those charged with governance that we would report to them misstatements identified during our audit above €0.05m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements

Overview of the scope of the audit

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

As an output of this process, we involved our actuarial, Information Technology ("IT") and tax specialists as part of our central engagement team and therefore determined the scope and nature of audit procedures to be performed by us ("central engagement team"), and by Traveler's group auditors ("other auditors"). Where the audit procedures were performed by specialists or other auditors, we issued and agreed audit instructions to ensure that appropriate audit evidence was obtained as a basis for our opinion on the financial statements as a whole.

We identified and tested those key controls over those core financial systems identified as part of our risk assessment exercise, including a review of general IT controls with the assistance of our IT specialists, the accounts production process, and controls addressing critical accounting matters. Based on the procedures performed, such as our overall assessment of the control environment, the effectiveness of controls over individual systems, and the management of specific risks, we sought to place reliance on the Company's internal controls wherever possible.

We undertook substantive testing on significant transactions, balances, and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems, and the management of specific risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Travelers Insurance DAC *continued*

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the directors' report has been prepared in accordance with applicable legal requirements;
- the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited; and
- the financial statements are in agreement with the accounting records.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the requirements of any of Sections 305 to 309 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company.

We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b 9b8fa98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by Company on 14 July 2021 to audit the financial statements for the period ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is one year.

No non-audit services prohibited by IAASA's Ethical Standard were performed during the period under review and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee, we are required to provide in accordance with ISA (Ireland) 260.

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 this report, or for the opinions we have formed.

Rob Hamill
for and on behalf of Mazars

Chartered Accountants & Statutory Audit Firm
Harcourt Centre, Block 3
Harcourt Road
Dublin 2

Date: 8 April 2022

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

for the year ended 31 December 2021

	Note	**2021** €000	2020 €000
Gross premiums written	4, 6	**215,800**	**152,510**
Outward reinsurance premiums		(176,746)	(124,506)
Net premiums written		**39,054**	**28,004**
Change in the gross provision for unearned premiums	22	(27,228)	(20,435)
Change in the provision for unearned premiums, reinsurers' share	22	22,361	16,527
Net change in the provision for unearned premiums		**(4,867)**	**(3,908)**
Earned premiums, net of reinsurance		**34,187**	**24,096**
Allocated investment return transferred from the non-technical account		470	(228)
Claims paid:			
Gross amount		(27,209)	(27,521)
Reinsurers' share		21,872	22,182
Net claims paid		(5,337)	(5,339)
Change in the provision for claims:			
Gross amount	22	(79,874)	(62,922)
Reinsurers' share	22	64,507	50,384
Change in the net provision for claims		(15,367)	(12,538)
Claims incurred, net of reinsurance		**(20,704)**	**(17,877)**
Net operating expenses	9	(9,549)	(7,071)
Balance on the technical account - non-life insurance business		**4,404**	**(1,080)**

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

Profit and Loss Account: Non-Technical Account

for the year ended 31 December 2021

	Note	2021 €000	2020 €000
Balance on the technical account - non-life insurance business		**4,404**	**(1,080)**
Investment income	8	1,171	1,129
Investment expenses and charges	10	(701)	(1,357)
Net investment return		470	(228)
Allocated investment return transferred to the non-life insurance business technical account		(470)	228
Net investment income not allocated to the non-life insurance business technical account		–	–
Other income/(expenses)	11	84	156
Profit/(loss) on ordinary activities before tax	5, 12	**4,488**	**(924)**
Tax (charge)/credit on profit/(loss) on ordinary activities	14	(1,547)	461
Profit/(loss) for the financial year		**2,941**	**(463)**

The profit for the financial year arising from discontinued operations is a profit of €0.3 million (2020 loss of €0.1 million). Further detail is provided in Note 5 to the accounts.

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

Statement of Comprehensive Income/(Loss)

for the year ended 31 December 2021

	Note	2021 €000	2020 €000
Profit/(loss) for the financial year		**2,941**	**(463)**
Unrealised loss on investments	15	(2,173)	(176)
Tax (credit)/charge on unrealised losses on investments	14	369	(25)
Currency translation gains/(losses) on foreign currency net investments		100	(72)
Tax (charge)/credit on currency translation gains/(losses)	14	(12)	12
Total comprehensive income/(loss)		**1,225**	**(724)**

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

Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital	Share premium	Capital contribution	Profit and loss account	Fair value reserve	Total equity
	€000	€000	€000	€000	€000	€000
At 1 January 2020	**35,000**	**1,389**	**30,000**	**(40)**	**(585)**	**65,764**
Loss for the financial period	–	–	–	(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**
Profit for the financial year	–	–	–	2,941	–	2,941
Other gains/(losses) recognised in Other Comprehensive Income						
Unrealised losses on investments, net of tax	–	–	–	–	(1,804)	(1,804)
Currency translation differences on foreign currency net investments, net of tax	–	–	–	88	–	88
Increase in share capital	30,000	–	–	–	–	30,000
Balance at 31 December 2021	**65,000**	**1,389**	**30,000**	**2,466**	**(2,590)**	**96,265**

The profit and loss account includes €0.5 million of net realised losses (2020 €1.1 million loss), net of tax, which have been transferred from the fair value reserve, of this a €0.3 million loss (2020 €20.1 thousand loss) relates to amounts brought forward from the prior year end.

Balance Sheet

as at 31 December 2021

		2021	2020
ASSETS	Note	€000	€000
Investments			
Financial investments	15	144,753	87,492
		144,753	87,492
Reinsurers' share of technical provisions			
Provision for unearned premiums	22	92,397	66,819
Claims outstanding	22	247,286	178,204
		339,683	245,023
Debtors			
Debtors arising out of insurance operations	16	66,364	47,453
Debtors arising out of reinsurance operations	17	240	526
Other debtors	18	–	945
		66,604	48,924
Other assets			
Deferred tax asset	20	344	473
Cash at bank		27,528	24,216
		27,872	24,689
Prepayments and accrued income			
Accrued income	19	1,647	741
Deferred acquisition costs	22	10,463	7,656
		12,110	8,397
TOTAL ASSETS		**591,022**	**414,525**

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

Balance Sheet *continued*

as at 31 December 2021

LIABILITIES	Note	2021 €000	2020 €000
Capital and reserves			
Called up share capital presented as equity	21	65,000	35,000
Share premium account		1,389	1,389
Capital contribution		30,000	30,000
Profit and loss account		2,466	(563)
Fair value reserve		(2,590)	(786)
Shareholders' funds attributable to equity interests		96,265	65,040
Technical provisions			
Provision for unearned premiums	22	113,637	82,460
Claims outstanding	22	304,313	218,761
		417,950	301,221
Creditors			
Creditors arising out of insurance operations	24	3,594	1,557
Creditors arising out of reinsurance operations	25	47,760	32,804
Other creditors including taxation and social security	26	16,336	6,453
		67,690	40,814
Accruals and deferred income	27	9,117	7,450
TOTAL LIABILITIES		**591,022**	**414,525**

These financial statements were approved by the Board of Directors on 6 April 2022 and were signed on its behalf by:

Maria Olivo
Director
6 April 2022

James Liston
Director
6 April 2022

Travelers Insurance Designated Activity Company
Registered in Ireland No. 620416

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

Notes to the Financial Statements

1 Basis of preparation

Travelers Insurance Designated Activity Company ("the Company") is a limited liability company incorporated in Ireland. Its registered office is at Third Floor, Block 8, Harcourt Centre, Charlotte Way, Dublin 2, Ireland. The financial statements of the Company have been prepared in compliance with the Companies Act 2014, Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), 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.

The Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Share based payments;
- Cash flow statement and related notes; and
- Key management personnel compensation.

The Directors have assessed the suitability of using the going concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Company does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the latest three year business plan, the likely trading environment and the financial strength of the parent company, The Travelers Companies, Inc. The Directors concluded that it remained appropriate to continue to prepare the Company's financial statements using the Going Concern assumption.

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 direct and inward reinsurance 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 commission expenses of acquiring both the direct insurance and inward reinsurance 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 undiscounted 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, net of salvage and subrogation.

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;
- Bornhuetter Ferguson method, which combines use of expected loss ratios, for the more recent and underdeveloped accident years; and
- 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 net operating expenses 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), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B.

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 and presented in the profit and loss account. Fair value changes, including foreign exchange gains or losses on fair value changes, are recognised in the statement of comprehensive income and accumulated in the fair value reserve.

If an available-for-sale investment is sold or impaired, the cumulative gain or loss accumulated in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value 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.

There are currently no restricted cash deposits with credit institutions.

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 anticipated recovery 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.

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

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.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

Financial assets and liabilities *continued*

Debtors and creditors arising out of direct and reinsurance operations
Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

Other debtors and creditors
Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

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 settlement of such transactions and from the retranslation of monetary balance sheet items at the year end exchange rates are recognised in the non-technical account. All assets and liabilities relating to insurance contracts (including unearned premiums and deferred acquisition costs) are monetary items and are therefore retranslated at the year end exchange rates.

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.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

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 its affiliate, Travelers Management Limited ("TML"). Shares granted or awarded under each plan is accounted for by TML and costs recharged to the Company. Any such costs are presented within net operating expenses in the profit and loss account.

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.

Restricted stock units and performance shares

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

Sharesave scheme

Under the Sharesave scheme the Board of TML grant options over shares in TRV to Irish and UK based employees. 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 who enter into the Sharesave scheme pay a fixed amount from salary into a savings account each month for five years. At the end of the savings period, these employees have six months in which to exercise their options using the funds saved, including interest earned. If these 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 the annual accounts requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgement in the process of applying the Company's accounting policies. The Directors consider the areas where estimates are significant to the Company's result and financial position are the valuation of insurance liabilities and the valuation of the deferred tax asset.

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 2021 was €210.1 million (2020 €130.3 million). Estimates for losses incurred but not reported are continually re-evaluated based on the Company's claims experience, developments in the broader industry and expectations of changes in future years, detailed information on reserving techniques can be seen in see note 2. 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, sensitivity to the loss ratio can be seen in note 4. 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's 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:

	2021			
	Ireland	United Kingdom	Other	Total
	€000	€000	€000	€000
Credit and Suretyship	917	–	479	1,396
Fire and other damage to property	23,690	22,903	2,334	48,927
Marine	1,908	49	–	1,957
Miscellaneous	159	–	–	159
Motor	9,081	483	54	9,618
Third party liability	23,598	117,071	13,074	153,743
Total	59,353	140,506	15,941	215,800

	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
Miscellaneous	–	–	–	–
Motor	9,506	1	19	9,526
Third party liability	17,504	78,554	13,722	109,780
Total	44,650	92,638	15,222	152,510

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:

	2021	2020
Gross	€000	€000
Total decrease in result after tax and net assets	1,650	1,156

	2021	2020
Net	€000	€000
Total decrease in result after tax and net assets	299	211

Profit and loss sensitivity to expenses

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

	2021	2020
Gross	€000	€000
Total decrease in result after tax and net assets	2,286	1,642

	2021	2020
Net	€000	€000
Total decrease in result after tax and net assets	418	309

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:

	2021				
	AAA	AA	A	Not rated	Total
	€000	€000	€000	€000	€000
Investments	51,020	38,935	54,798	–	144,753
Reinsurance claims outstanding	–	242,527	4,577	182	247,286
Reinsurance debtors	–	123	36	81	240
Insurance debtors	–	–	–	66,364	66,364
Other debtors	–	–	–	–	–
Cash at bank	–	1	27,527	–	27,528
Total by rating	51,020	281,586	86,938	66,627	486,171
Percentage by rating	10.5%	57.9%	17.9%	13.7%	100.0%

	2020				
	AAA	AA	A	Not rated	Total
	€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	–	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%	14.3%	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 2021 and 2020. Within the AA rating, the largest counterparty exposure was Colgate-Palmolive as at 31 December 2021 (2020 Walmart Inc.). With the exception of AAA and AA government debt securities the largest credit exposure does not exceed 5% of the Company's total financial assets.

The largest reinsurance counterparty exposure within the AA rating at both 31 December 2021 and 2020 is TICL.

As at 31 December 2021 and 2020 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:

			2021			
	Within terms	0 - 1 month	2 - 3 months	Over 3 months	Impairments	Total
	€000	€000	€000	€000	€000	€000
Investments	144,753	–	–	–	–	144,753
Reinsurance claims outstanding	247,286	–	–	–	–	247,286
Reinsurance debtors	41	1	117	81	–	240
Insurance debtors	59,773	1,584	2,245	2,781	(19)	66,364
Other debtors	–	–	–	–	–	–
Cash at bank	27,528	–	–	–	–	27,528
Total	479,381	1,585	2,362	2,862	(19)	486,171

			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	24,216	–	–	–	–	24,216
Total	334,222	1,664	2,452	517	(19)	338,836

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 profit and shareholders' equity would have fallen by €4.5 million (2020 €2.1 million) after tax. If market interest rates had fallen by 100 basis points as at the balance sheet date the profit and shareholder's equity would have increased by €4.8m (2020 €1.8 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	Other	Total
	€000	€000	€000	€000	€000
Net assets 31 December 2021	90,755	2,835	2,677	(2)	96,265
Net assets 31 December 2020	66,514	(2,867)	1,393	–	65,040

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 2021	(248)	248	(234)	234
Increase/(decrease) in net assets 31 December 2020	251	(251)	(122)	122

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

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.

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

	2021			
	Total	0 - 1 year	2 - 5 years	More than 5 years
	€000	€000	€000	€000
Technical provisions	417,950	112,490	262,991	42,469
Creditors	67,690	67,690	–	–
Total	485,640	180,180	262,991	42,469

	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

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 fair value 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 2021 available capital on this basis comprised €92.1 million (2020 €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 2021 the Company's regulatory solvency capital requirement was €59.2 million (2020 €37.4 million) and its coverage ratio was 155.4% (2020 172.7%).

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:

	2021		2020	
	Continuing operations €000	Run-off operations €000	Continuing operations €000	Run-off operations €000
Net premiums written	39,054	–	28,004	–
Net premiums earned	34,187	–	24,096	–
Allocated investment return	354	116	(309)	81
	34,541	116	23,787	81
Claims paid - gross amount	(26,143)	(1,066)	(25,340)	(2,181)
Claims paid - reinsurers' amount	21,019	853	20,437	1,745
Change in provisions for claims - gross amount	(80,739)	865	(63,769)	847
Change in provisions for claims - reinsurers' amount	64,939	(432)	51,020	(636)
Claims incurred, net of reinsurance	(20,924)	220	(17,652)	(225)
Net operating expenses	(9,499)	(50)	(7,027)	(44)
Balance on the technical account	4,118	286	(892)	(188)
Investment income	1,055	116	1,048	81
Investment expenses and charges	(701)	–	(1,357)	–
	354	116	(309)	81
Allocated investment return transferred to the non-life technical account	(354)	(116)	309	(81)
Other income	78	6	34	122
Profit/(loss) on ordinary activities before tax	4,196	292	(858)	(66)

Notes to the Financial Statements *continued*

6 Analysis of underwriting result

(a) Analysis of gross premiums, profit/(loss) before taxation and net asset

	2021		
	Gross premiums written	Gross premiums earned	Profit/(loss) before tax
	€000	€000	€000
By geographical segment			
Republic of Ireland	69,813	63,723	(1,178)
United Kingdom	145,987	124,849	5,798
Other Europe	–	–	(132)
Total	215,800	188,572	4,488

	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)

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

(b) Analysis of gross premiums written

	2021	2020
	€000	€000
Resulting from contracts concluded by the Company:		
Direct	211,831	150,683
Inwards reinsurance	3,969	1,827
Total	215,800	152,510

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

	2021				
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance
	€000	€000	€000	€000	€000
Credit and Suretyship	1,396	1,246	(217)	(274)	(630)
Fire and other damage to property	48,927	40,709	(9,202)	(14,207)	(15,303)
Marine	1,957	1,733	(723)	(1,028)	(39)
Miscellaneous	159	47	(12)	(23)	(9)
Motor	9,618	9,540	(10,078)	(3,791)	3,456
Third party liability	153,743	135,297	(86,851)	(32,938)	(12,769)
Total	215,800	188,572	(107,083)	(52,261)	(25,294)

	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)
Miscellaneous	–	–	–	–	–
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)

Gross commission payable in respect of direct insurance amounted to €25.7 million (2020 €17.4 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:

	2021	2020
	€000	€000
Credit and Suretyship	–	23
Fire and other damage to property	738	(135)
Motor	(74)	(142)
Other	–	4
Third party liability	107	(1,573)
Total	771	(1,823)

Notes to the Financial Statements *continued*

8 Investment income

	2021	2020
	€000	€000
Income from investments	1,164	1,114
Gains on the realisation of investments	7	15
Total	1,171	1,129

9 Net operating expenses

	2021	2020
	€000	€000
Acquisition costs	25,652	17,378
Change in gross deferred acquisition costs	(2,524)	(2,361)
	23,128	15,017
Administrative expenses	29,133	22,510
Gross operating expenses	52,261	37,527
Reinsurance commissions and profit participation	(44,821)	(32,372)
Change in deferred reinsurance commission	2,109	1,916
Total	9,549	7,071

10 Investment expenses and charges

	2021	2020
	€000	€000
Investment management expenses	105	83
Losses on the realisation of investments	596	1,274
Total	701	1,357

11 Other income/(expenses)

	2021	2020
	€000	€000
Foreign exchange loss	(75)	(133)
Other income	159	289
Total	84	156

Notes to the Financial Statements *continued*

12 Profit/(loss) on ordinary activities before tax

	2021	2020
	€000	€000
Profit/(loss) on ordinary activities before tax is stated after crediting		
Income from fixed income investments	1,164	1,114
after charging		
Auditor's remuneration:		
Audit of these financial statements	120	130
Non-audit services:	5	2
Audit-related assurance services	45	61

13 Employees and directors

(a) The staff costs during the period were:	**2021**	2020
	€000	€000
Wages and salaries	1,340	1,242
Share based payments	149	116
Social security costs	279	254
Other pension costs	94	87
Total	1,862	1,699

The average number of employees, including executive directors, employed during 2021 was 6 (2020 6). Any such costs are presented within net operating expenses in the profit and loss account.

	2021	2020
	€000	€000
Claims and underwriting	684	555
Financial and actuarial	414	379
Executive and other	764	765
Total	1,862	1,699

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

(b) The directors remuneration during the period was:	**2021**	2020
	€000	€000
Directors' emoluments	591	578
Company contributions to share saver schemes	17	17

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

Notes to the Financial Statements *continued*

14 Taxation

Analysis of total tax charge/(credit) for the year

(a) Tax included in the non-technical account	**2021** €000	2020 €000
Ireland corporation tax		
Ireland corporation tax at 12.5% (2020 12.5%)	541	7
Adjustments in respect of prior periods	(87)	–
Total current tax charge	454	7
Foreign tax		
UK corporation tax at 19% (2020 19%)	607	–
Adjustments in respect of prior periods	–	18
	607	18
Deferred tax		
Deferred tax charge/(credit)	486	(486)
Tax charge/(credit) on profit/(loss) on ordinary activities	1,547	(461)

(b) Tax included in Other Comprehensive Income/(Loss)

	2021 €000	2020 €000
Deferred tax		
(Credit)/charge on unrealised losses on investments	(369)	25
Charge/(credit) on currency translation	12	(12)
Tax (credit)/charge on Other Comprehensive Income/(Loss)	(357)	13

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

The tax charge/(credit) for the year is higher than the standard rate of corporation tax in the Ireland (2020 higher than the standard rate):

	2021 €000	2020 €000
Profit/(loss) on ordinary activities before tax	4,488	(924)
Tax using the corporation tax rate of 12.5% (2020 12.5%)	561	(116)
Prior year adjustment - current tax	–	25
Prior year adjustment - deferred tax	–	(510)
Foreign tax	1,062	(59)
Unrecognised deferred tax	(76)	199
Total tax charge/(credit)	1,547	(461)

As at 31 December 2021 the Company had unrecognised tax losses carried forward of €111.4 million (2020 €112.0 million).

In the UK's 2021 Budget, the UK Government announced the UK corporation tax will increase to 25% on 1 April 2023. Royal Assent was received on 10 June 2021. This will increase the Company's future tax liability accordingly.

Notes to the Financial Statements *continued*

15 Investments

(a) Fair value

	Fair Value **2021** €000	Fair Value 2020 €000	Cost **2021** €000	Cost 2020 €000
Debt and other fixed income securities	144,753	87,492	147,690	88,256
Included in debt and other fixed income securities:				
Irish fixed income securities	2,123	2,172	2,171	2,171
Overseas fixed income securities	142,630	85,320	145,519	86,085
Total	144,753	87,492	147,690	88,256

(b) Movement in the year

	2021 €000	2020 €000
Investments brought forward	87,492	80,730
Purchases	75,227	36,981
Fair value adjustments	(2,173)	(176)
Disposals/maturities	(16,241)	(30,132)
Currency translation movements	448	89
Investments carried forward	144,753	87,492

(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 2021 and 31 December 2020.

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

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

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

	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Financial assets as at 31 December 2021	-	144,753	-	144,753
Financial assets as at 31 December 2020	-	87,492	-	87,492

16 Debtors arising out of insurance operations

	2021	2020
	€000	€000
Amounts owed by intermediaries	66,203	47,392
Amounts owed by policyholders	161	61
Total	66,364	47,453

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

	2021	2020
	€000	€000
Amounts owed by reinsurers	240	526

All debtors are due within one year.

Notes to the Financial Statements *continued*

18 Other debtors

	2021	2020
	€000	€000
Amounts owed by group undertakings	–	931
Corporation tax receivable	–	14
Total	–	945

All debtors are due within one year.

19 Accrued income

	2021	2020
	€000	€000
Other accrued income	761	249
Accrued interest	886	492
Total	1,647	741

20 Deferred tax asset

The amounts provided for deferred taxation are set out below:

		2021		
	Tax Losses	Unrealised (losses) on investments	Currency translation	Total net deferred tax asset
	€000	€000	€000	€000
Deferred tax asset/(liability) brought forward	486	(25)	12	473
Current year profit and loss	(487)	–	–	(487)
Prior year profit and loss adjustments	(75)	–	–	(75)
Unrecognised deferred tax	76	–	–	76
Other Comprehensive Income	–	369	(12)	357
Total	–	344	–	344

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

The tax losses carried forward have no time limit. €111.4 million of losses carried forward were unprovided for in the year (2020 €112.0 million). The net reversal of deferred tax expected to occur next year is €nil thousand, relating to the release of tax losses carried forward of €nil thousand.

Notes to the Financial Statements *continued*

21 Called up share capital

	2021	2020
	€000	€000
Authorised		
100,000,000 (2020 100,000,000) ordinary shares of €1 each	100,000	100,000

	2021	2020
	€000	€000
Allotted, called up and fully paid		
65,000,001 (2020 35,000,001) ordinary shares of €1 each	65,000	35,000

During the year, the Company received a capital injection of €30.0 million in return for the issuance of 30,000,000 new ordinary €1 shares.

22 Technical provisions and deferred acquisition costs

(a) *Unearned premium provision*

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€000	€000	€000	€000	€000	€000
Balance as at 1 January	82,460	66,819	15,641	64,386	52,222	12,164
Change in unearned premiums	27,228	22,361	4,867	20,435	16,527	3,908
Effect of movements in exchange rates	3,949	3,217	732	(2,361)	(1,930)	(431)
Balance as at 31 December	113,637	92,397	21,240	82,460	66,819	15,641

(b) *Claims outstanding*

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€000	€000	€000	€000	€000	€000
Balance as at 1 January	218,761	178,204	40,557	156,750	128,559	28,191
Change in claims outstanding	79,874	64,507	15,367	62,922	50,384	12,538
Effect of movements in exchange rates	5,678	4,575	1,103	(911)	(739)	(172)
Balance as at 31 December	304,313	247,286	57,027	218,761	178,204	40,557
Claims notified	86,512	71,867	14,645	82,604	68,696	13,908
Claims incurred but not reported	210,060	169,227	40,833	130,320	104,838	25,482
Unallocated loss adjustment expenses	7,741	6,192	1,549	5,837	4,670	1,167
Balance as at 31 December	304,313	247,286	57,027	218,761	178,204	40,557

(c) *Deferred acquisition costs*

	2021	2020
Gross	€000	€000
At the start of the year	(7,656)	(5,444)
Movement in provision	(2,524)	(2,361)
Currency translation differences	(283)	149
At the end of the year	(10,463)	(7,656)

	2021	2020
Reinsurance amount	€000	€000
At the start of the year	6,195	4,399
Movement in provision	2,109	1,916
Currency translation differences	231	(120)
At the end of the year	8,535	6,195

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 2021.

Gross loss development table

Accident year	All prior years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**Total**
	€000	€000	£000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Current estimate of gross ultimate claims												
At end of accident year	-	21,969	18,240	17,463	21,984	21,908	23,079	37,066	32,605	81,472	105,022	380,808
One year later	-	22,625	19,036	18,999	21,944	24,542	25,651	44,341	39,551	79,157	-	295,846
Two years later	-	22,653	21,552	19,006	21,475	24,367	26,463	43,754	39,113	-	-	218,383
Three years later	-	23,364	22,400	18,998	20,397	24,882	25,172	43,223	-	-	-	178,436
Four years later	-	23,467	22,307	18,426	19,331	25,033	26,764	-	-	-	-	135,328
Five years later	-	24,335	21,540	19,084	19,422	25,114	-	-	-	-	-	109,495
Six years later	-	23,566	20,406	20,636	20,039	-	-	-	-	-	-	84,647
Seven years later	-	22,598	21,334	21,074	-	-	-	-	-	-	-	65,006
Eight years later	-	22,892	22,310	-	-	-	-	-	-	-	-	45,202
Nine years later	-	23,871	-	-	-	-	-	-	-	-	-	23,871
Estimate of gross ultimate claims	-	23,871	22,310	21,074	20,039	25,114	26,764	43,223	39,113	79,157	105,022	405,687
Cumulative claims payments to date		21,120	19,236	17,242	15,769	17,684	18,475	34,493	10,238	11,860	3,692	169,809
Claims liability outstanding	60,694	2,751	3,074	3,832	4,270	7,430	8,289	8,730	28,875	67,297	101,330	296,572
Unallocated loss adjustment expense												7,741
Gross claims outstanding												**304,313**

Net loss development table

Accident year	All prior years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**Total**
	€000	€000	£000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Current estimate of net ultimate claims												
At end of accident year	-	4,274	3,569	3,374	4,238	4,241	4,521	5,902	6,330	15,750	20,922	73,121
One year later	-	4,442	3,755	3,717	4,270	4,794	5,052	6,378	7,778	15,472	-	55,658
Two years later	-	4,456	4,270	3,751	4,225	4,750	5,134	6,316	7,705	-	-	40,607
Three years later	-	4,576	4,449	3,781	4,056	4,849	4,904	6,216	-	-	-	32,831
Four years later	-	4,603	4,447	3,669	3,852	4,898	5,122	-	-	-	-	26,591
Five years later	-	4,752	4,296	3,802	3,872	4,938	-	-	-	-	-	21,660
Six years later	-	4,599	4,070	4,113	3,992	-	-	-	-	-	-	16,774
Seven years later	-	4,400	4,255	4,201	-	-	-	-	-	-	-	12,856
Eight years later	-	4,454	4,451	-	-	-	-	-	-	-	-	8,905
Nine years later	-	4,682	-	-	-	-	-	-	-	-	-	4,682
Estimate of net ultimate claims	-	4,682	4,451	4,201	3,992	4,938	5,122	6,216	7,705	15,472	20,922	77,701
Cumulative claims payments to date		4,126	3,836	3,441	3,142	3,454	3,488	4,509	2,034	2,262	612	30,904
Claims liability outstanding	8,681	556	615	760	850	1,484	1,634	1,707	5,671	13,210	20,310	55,478
Unallocated loss adjustment expense												1,549
Net claims outstanding												**57,027**

Notes to the Financial Statements *continued*

24 Creditors arising out of direct insurance operations

	2021 €000	2020 €000
Amounts owed to intermediaries	3,594	1,412
Amounts owed to policyholders	–	145
Total	3,594	1,557

All creditors are due within one year.

25 Creditors arising out of reinsurance operations

	2021 €000	2020 €000
Amounts owed to third party reinsurers	5,581	2,436
Amounts owed to group reinsurer	42,179	30,368
Total	47,760	32,804

All creditors are due within one year.

26 Other creditors including taxation and social security

	2021 €000	2020 €000
Insurance premium taxes	5,168	5,320
Amounts owed to group undertakings	10,021	1,133
Corporation tax payable	1,147	–
Total	16,336	6,453

All creditors are due within one year.

27 Accruals and deferred income

	2021 €000	2020 €000
Reinsurers' share of deferred acquisition costs	8,535	6,195
Accrued expenses	582	1,255
Total	9,117	7,450

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

In the normal course of business, letters of credit to the value of €0.01 million (2020 €nil) have been issued to fiscal authorities against insurance tax liabilities.

Letters of credit to the value of €0.2 million (2020 €0.2m) have been issued to the Society & Council of Lloyd's against insurance liabilities.

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

The geopolitical conflict in Ukraine has arisen subsequent to the end of the year. The Company does not have material exposures to Russia and Ukraine and, as such, does not expect this conflict to have a material impact on its results.

32 Approval of financial statements

The financial statements of the Company were approved for issue by the Board of Directors on 6 April 2022.

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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.

05/22