

2014
ANNUAL
REPORT
AND
ACCOUNTS



TRAVELERS INSURANCE COMPANY LIMITED

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The Company

Directors

- Sir John Carter** (Independent Non-Executive)
- Gregory Conway** (Independent Non-Executive - resigned 4 November 2014)
- Anthony Coughlan** (Independent Non-Executive - appointed 4 November 2014)
- Gary Dibb** (Independent Non-Executive)
- Stephen Eccles** (Non-Executive)
- Paul Eddy** (Non-Executive)
- Sean Genden**
- Mike Gent**
- Graham McKean** (Independent Non-Executive)
- Keith Purvis**
- Kevin Smith** (Chairman)

Company Secretary

John Abramson

Registered Office

Exchequer Court, 33 St. Mary Axe
London EC3A 8AG
Registered in England No 1034343

Bankers

National Westminster Bank Plc
Citibank NA

Auditors

KPMG LLP

Strategic Report of the Directors

The Directors of Travelers Insurance Company Limited (the “Company”) present their strategic report for the year ended 31 December 2014.

Principal activities

The principal activity of the Company is the transaction of commercial lines general insurance business in the UK and Ireland.

Overview

Travelers Insurance Company Limited reported a £2.4m loss in 2014 (2013 £68.4m loss) and a 116.0% combined ratio (2013 140.1%). The improved result reflects a reduced level of adverse prior year reserve development and weather losses compared to 2013. During the year, we began to realise the benefits from our new underwriting operating model and the continued launch of new products that position us well to better service our customer and broker partners.

Financial results

Gross written premiums reduced by 7.6% to £248.4m (2013: £268.7m). The major driver of this reduction was disciplined underwriting action targeting business in unprofitable areas such as the Local Authority portfolio. As a consequence, renewal retention was lower than in 2013. Rate change though was up at 4.8%, compared to 2.1% in 2013, as we sought to improve margins in certain areas. New business levels were down from the prior year as fewer opportunities presented themselves in what was a challenging new business market.

The loss for the year reflects £14.4m of adverse prior year development, primarily in the general liability line of business, which was principally associated with a portfolio of professional indemnity business that has not been written since 2011, and adverse large loss activity beyond our normal expectations. The improved combined ratio at 116.0% (2013 140.1%) reflects the reduction in the level of adverse prior year reserve development, which improved the combined ratio by 14.2 points, and a reduced incidence of weather losses, which improves the combined ratio by 6.4 points. Excluding prior year reserve development, the combined ratio was 109.6% (2013 119.5%).

The investment return increased to £33.7m, reflecting an £8.5m unrealised gain (2013 £30.6m unrealised loss). We continue to invest wholly in high-quality corporate and government bonds with an average credit quality of AA+ (2013 AA+) and do not plan any material changes to this investment strategy. We expect low investment returns to remain for the foreseeable future, which underlines the importance of increasing

underwriting profits to achieve our target level of returns. Investments under management total £1.16bn (2013 £1.22bn).

New products and services

At Travelers, we believe in the power of industry expertise and are known for our technical knowledge across underwriting, claims and risk control. We recognise that no two industries are the same and have launched industry-specific expertise and solutions that we call **IndustryEdge**[®].

IndustryEdge[®] is a fully integrated business insurance risk solution which combines underwriting, risk control and claims services tailored to a range of different industries and businesses helping customers to reduce the cost of losses and mitigate their risks. We developed two new solutions for property owners and printers in 2014, which added to the solutions already available for over ten different industries and sectors.

We also developed our risk management offering so we can provide remote risk management services on-line and a new on-demand risk consulting service, which uses video sharing technology. With our innovative software we share images and screens to conduct remote consulting services no matter where our clients are located.

Trading environment

The trading environment remained challenging in 2014, albeit the economic backdrop started to show improvement. In 2014, we achieved renewal rate increases that were in excess of claims inflation. We will continue the progress that we have made by leveraging our analytics to improve our mix of business and focus our sales efforts on growing those lines where we are achieving appropriate returns.

Capital management

During 2014 we did not pay a dividend (2013: £nil). Our capital position and financial strength remains strong with net assets of £487.1m (2013: £489.4m). As of March 25 2015, our financial strength ratings are A (excellent) from AM Best, and AA from Standard and Poor's. There are no concerns as to the Company's ability to meet its new regulatory capital requirements under the Solvency II regulatory regime.

Key performance indicators (KPIs)

The KPIs the Directors use to manage the business are discussed in the Financial Results section of the Strategic Report above.

Strategic Report of the Directors *continued*

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. It reviews it on an ongoing basis as part of its regular business review processes. The Company has a Board Risk and Remuneration Committee and an 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 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 maximum probable loss from catastrophe exposed business. Reserve adequacy is monitored through quarterly internal actuarial review. The Underwriting Risk Committee oversees underwriting risk and the Finance Committee oversees reserving risk.

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 operates a rigorous policy for the rating and selection of reinsurers and managing the quantum of exposure ceded to an individual reinsurer. The Company has a conservative appetite to investment counterparty credit risk. Exposures to individual 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.

Market risk

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

Operational risk

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

Regulatory risk

Regulatory risk comprises the failure to comply with relevant regulations and laws. Preparation for the implementation of the Solvency II regulatory requirements is currently a major priority. The Company's preparations are progressing well and there are no concerns as to the Company's ability to meet the new regulatory capital requirements. This risk is overseen by the Executive Risk Committee.

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 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.

On behalf of the board

Sean Genden

Chief Executive Officer

Travelers Insurance Company Limited

25 March 2015

Directors' Report

The Directors present their annual report together with the financial statements for the 12 months ended 31 December 2014.

Principal activities

The principal activity of the Company is contained within the Strategic Report.

Business review

An analysis of the performance of the Company is contained within the Strategic Report and the results for the financial year are set out on pages 7 and 8.

Directors and directors' interests

All the directors set out on page 2 served throughout the year, except where noted otherwise.

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 three times a year. The Committee comprises the independent non-executive directors. Mr McKean was Chairman of the Committee during the year. 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 also 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 meets, both on its own and with the external auditors, without any executive management present.

Going concern

The Company has considerable financial resources together with prudent investment guidelines, high quality of assets, sound underwriting procedures, substantial controls and risk mitigating processes, (including, but not limited to, reinsurance) and the support of a financially strong parent company. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Indemnity insurance

The Directors benefited from qualifying third-party indemnity provisions in place during the financial year and 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, an affiliate of the Company. The average payment terms are disclosed in that company's accounts. As discussed in note 26, the Company also has a management agreement with Travelers Management Limited, who employs the Company's personnel.

Environment

The Company does not have a major direct environmental impact as it operates in a service based, non-manufacturing industry. However, it is aware of its environmental responsibilities. The Company has invested substantial sums towards making its systems and processes paperless. Also recycling facilities are available for all office waste.

Political contributions

Political contributions were nil during 2014 (2013: £nil).

Reappointment of Auditors

Pursuant to section 487 of the Companies Act 2006 the auditors will be deemed to have been reappointed and KPMG LLP will therefore continue in office.

Directors' Report *continued*

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

The directors are responsible for preparing the Strategic Report, and 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgments and estimates that are reasonable and prudent;
- c) state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

John Abramson

Company Secretary
Exchequer Court, 33 St. Mary Axe
London EC3A 8AG

25 March 2015

Profit and Loss Account : Technical Account - General Business

For the twelve months ended 31 December 2014

		2014	2013
	Note	£000	£000
Gross premiums written - continuing business		248,379	268,687
Gross premiums written - discontinued business		8	20
Gross premiums written	3	248,387	268,707
Outward reinsurance premiums		(36,405)	(36,558)
Net premiums written		211,982	232,149
Change in the gross provision for unearned premiums	21	9,173	(2,563)
Change in the provision for unearned premiums, reinsurers' share	21	3,860	(13,066)
Earned premiums, net of reinsurance		225,015	216,520
Allocated investment return transferred from the non-technical account		33,658	185
Claims paid:			
Gross amount		(207,254)	(191,183)
Reinsurers' share		8,262	15,752
		(198,992)	(175,431)
Change in the provision for claims:			
Gross amount	21	(23,898)	(49,254)
Reinsurers' share	21	58,287	19,633
		34,389	(29,621)
Claims incurred, net of reinsurance		(164,603)	(205,052)
Net operating expenses	6	(96,437)	(98,218)
Change in claims equalisation provision	20,21	(288)	(741)
Balance on the technical account	2	(2,655)	(87,306)
Analysed between:			
Continuing business		(2,098)	(82,812)
Discontinued business		(557)	(4,494)
		(2,655)	(87,306)

The notes on pages 13 to 26 form part of these financial statements.

Profit and Loss Account : Non-Technical Account

For the twelve months ended 31 December 2014

		2014	2013
	Note	£000	£000
Balance on the general business technical account		(2,655)	(87,306)
Investment income	5	36,449	39,346
Unrealised gains/(losses) on investments		8,522	(30,564)
Investment expenses and charges	7	(11,313)	(8,597)
		33,658	185
Allocated investment return transferred to the general business technical account		(33,658)	(185)
Other income	8	617	1,296
Operating loss on ordinary activities before tax	9	(2,038)	(86,010)
Tax on loss on ordinary activities	11	(403)	17,565
Loss on ordinary activities after tax for the financial year	19	(2,441)	(68,445)

The notes on pages 13 to 26 form part of these financial statements.

Statement of Total Recognised Gains and Losses

For the twelve months ended 31 December 2014

	Note	2014 £000	2013 £000
Loss for the financial year		(2,441)	(68,445)
Currency translation gains/(losses) on foreign currency net investments	19	179	(1,400)
Taxation (charge)/credit on currency translation gains/(losses)	19	(37)	280
Total recognised losses relating to the year		(2,299)	(69,565)

In accordance with the amendment to FRS 3 published in June 1999 no note of historical cost profits has been prepared as the Company's only material gains and losses on assets relate to the holding and disposal of investments.

Reconciliation of Movements in Shareholders' Funds

For the twelve months ended 31 December 2014

		2014	2013
	Note	£000	£000
Loss for the financial year		(2,441)	(68,445)
Other gains/(losses) relating to the year - foreign currency	19	142	(1,120)
Net reduction to shareholders' funds		(2,299)	(69,565)
Opening shareholders' funds		489,353	558,918
Closing shareholders' funds		487,054	489,353

Balance Sheet

As at 31 December 2014

	Note	2014 £000	2013 £000
ASSETS			
Investments			
Investments in group undertakings	30	-	-
Other financial investments	12	1,163,396	1,222,378
Reinsurers' share of technical provisions			
Provision for unearned premiums	21	11,375	7,525
Claims outstanding	21	122,351	65,537
		133,726	73,062
Debtors			
Debtors arising out of insurance operations	13	37,062	37,685
Debtors arising out of reinsurance operations	14	2,969	1,928
Other debtors	15	2,791	4,574
		42,822	44,187
Debtors: Amounts falling due after one year			
Loan to group undertaking	16	-	4,800
Other assets			
Deferred tax asset	17	16,476	14,936
Cash at bank and in hand		34,853	40,436
		51,329	55,372
Prepayments and accrued income			
Accrued interest		12,242	14,260
Deferred acquisition costs	21	13,839	14,524
		26,081	28,784
TOTAL ASSETS		1,417,354	1,428,583

The notes on pages 13 to 26 form part of these financial statements.

Balance Sheet *continued*

As at 31 December 2014

	Note	2014 £000	2013 £000
LIABILITIES			
Capital and reserves			
Called up share capital	18	203,822	203,822
Share premium account	19	699	699
Profit and loss account	19	282,533	284,832
Shareholders' funds attributable to equity interests		487,054	489,353
Technical provisions			
Provision for unearned premiums	21	128,694	138,421
Claims outstanding	21	741,003	728,952
Claims equalisation provision	20,21	17,030	16,742
		886,727	884,115
Creditors			
Creditors arising out of insurance operations	22	5,153	5,820
Creditors arising out of reinsurance operations		16,832	16,985
Other creditors including taxation and social security	23	17,296	10,496
		39,281	33,301
Accruals and deferred income	24	4,292	21,814
TOTAL LIABILITIES		1,417,354	1,428,583

These financial statements were approved by the Board of Directors on 25 March 2015 and were signed on its behalf by:

Mike Gent

Chief Financial Officer

25 March 2015

Travelers Insurance Company Limited

Registered in England No 1034343

Notes to the Financial Statements

1(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the provisions of section 396 of the Companies Act 2006, including applying the requirements set out in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies. The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules as modified to include the revaluation of investments and comply with the revised Statement of Recommended Practice (SORP) issued by the Association of British Insurers in December 2006.

As the Company is a wholly owned subsidiary of The Travelers Companies, Inc., the Company has taken advantage of the exemption contained in FRS 8 and therefore has not disclosed transactions or balances with wholly owned subsidiaries of The Travelers Companies Inc. The consolidated financial statements of The Travelers Companies, Inc., within which this Company is included, can be obtained from this Company's registered office.

The Company's business activities, together with commentary on the current year financial performance and balance sheet position, are set out in the Strategic Report of the Directors on page 3. The Company has considerable financial resources together with prudent investment guidelines, a high quality of assets, sound underwriting procedures, strong controls and risk mitigating processes (including, but not limited to, reinsurance) and the support of a financially strong parent company.

As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1(b) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Premiums

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

Premiums written include estimates for pipeline premiums (premiums written but not reported to the business by the balance sheet date) and adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance premiums.

Unearned premiums

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using the daily pro-rata method, adjusted if necessary to take into account the risk profile of the contract. The reinsurance share of unearned premium is calculated with reference to the risk profile of the individual reinsurance contracts.

Acquisition costs

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

Notes to the Financial Statements *continued*

1(b) Accounting policies *continued*

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

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date, whether reported or not, together with related internal and external claims handling expenses. Where applicable, prudent estimates are made for anticipated reinsurance and salvage and subrogation recoveries.

Claims outstanding estimation techniques

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

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

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

A variety of different statistical techniques are used by the Company's in-house actuaries to determine the appropriate level of 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 the chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each country, product and line of business.

Large claims are identified and reserved for separately.

Where possible the Company adopts multiple techniques to estimate the required level of 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.

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.

Equalisation provisions

Equalisation provisions have been established in accordance with the requirements of chapter 1.4 of the Prudential Source Book of Insurers to mitigate exceptional high loss ratios for classes of business displaying a high degree of claims volatility.

Notes to the Financial Statements *continued*

1(b) Accounting policies *continued*

Unexpired risks

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.

Investment income, expenses and charges

Investment income is accounted for on the accruals basis. Realised gains or losses represent the difference between net sales proceeds and purchase price.

Unrealised gains and losses on investments

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price, or if applicable, their valuation at the last balance sheet date.

Unrealised gains and losses on investments are subject to current taxation.

Allocation of investment return

Investment income, realised gains and losses, investment expenses and charges, and the movement in unrealised gains and losses are allocated to the general business technical account in full.

Investments

Listed investments are stated at market value, at bid price.

Foreign currencies

Foreign currency transactions relating to the UK operations are translated into sterling using the rate of exchange at the date of the transaction. Foreign currency transactions of overseas branches are translated into sterling at the average rate of exchange for the relevant month. Balance sheet items held by the overseas branches are translated into sterling at the rate of exchange ruling at the balance sheet date.

Exchange adjustments arising from the translation of foreign currency net investments in the overseas branches are dealt with in reserves. All other foreign exchange differences are taken to the non-technical account.

Taxation

The charge for taxation is based on the profit for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Notes to the Financial Statements *continued*

2 Continuing and discontinued operations

In December 2001, the Company ceased writing business in its branch operations in the Netherlands, France, Germany, Australia and New Zealand. The Company also ceased writing medical malpractice business in both the United Kingdom and Ireland, and construction business in the United Kingdom. These operations are consequently now in run-off. In addition, the Company ceased to write personal motor and household policies in the United Kingdom on 1 April 1998. The results of all of the above operations have been disclosed as discontinued business.

During 2011, the Company ceased writing personal lines business in Ireland and the results of this business are also disclosed below as discontinued operations.

During 2013, the Company completed the transfer of the residual liabilities of its branch in Australia to a third party under a court approved process in Australia.

The breakdown of the general business technical account between discontinued and continuing operations is as follows:

	2014		2013	
	Continuing operations £000	Discontinued operations £000	Continuing operations £000	Discontinued operations £000
Net premiums written	211,974	8	232,129	20
Net premiums earned	225,002	13	216,514	6
Allocated investment return	32,393	1,265	116	69
	257,395	1,278	216,630	75
Claims paid - gross amount	(188,663)	(18,591)	(169,845)	(21,338)
Claims paid - reinsurers' amount	7,329	933	15,478	274
Change in provisions for claims - gross amount	(39,522)	15,624	(63,792)	14,538
Change in provisions for claims - reinsurers' amount	57,511	776	16,497	3,136
Claims incurred, net of reinsurance	(163,345)	(1,258)	(201,662)	(3,390)
Net operating expenses	(95,860)	(577)	(97,039)	(1,179)
Claims equalisation reserve	(288)	-	(741)	-
Balance on the technical account	(2,098)	(557)	(82,812)	(4,494)
Investment income	35,305	1,144	37,584	1,762
Unrealised gains/(losses) on investments	8,220	302	(29,079)	(1,485)
Investment expenses and charges	(11,132)	(181)	(8,389)	(208)
	32,393	1,265	116	69
Allocated investment return transferred to the general business technical account	(32,393)	(1,265)	(116)	(69)
Other income/(charges)	537	80	1,365	(69)
Operating loss on ordinary activities before tax	(1,561)	(477)	(81,447)	(4,563)

Notes to the Financial Statements *continued*

3 Segmental information

(a) Analysis of gross premiums, profit before taxation and net assets

	2014			
	Gross premiums written	Gross premiums earned	(Loss)/profit before tax	Net assets
	£000	£000	£000	£000
By geographical segment				
United Kingdom	223,488	232,281	(4,996)	470,422
Republic of Ireland	24,899	25,279	4,912	6,519
Overseas branches in run-off	-	-	(1,954)	10,113
Total	248,387	257,560	(2,038)	487,054
	2013			
	Gross premiums written	Gross premiums earned	Profit/(Loss) before tax	Net assets
	£000	£000	£000	£000
By geographical segment				
United Kingdom	242,182	239,164	(79,288)	475,649
Republic of Ireland	26,525	26,980	(10,049)	1,485
Overseas branches in run-off	-	-	3,327	12,219
Total	268,707	266,144	(86,010)	489,353

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

(b) Analysis of gross direct written premiums

	2014 £000	2013 £000
Resulting from contracts concluded by the Company :		
In the EU member state of its head office	223,488	242,182
In other EU member states	24,899	26,525
	248,387	268,707

Notes to the Financial Statements *continued***3 (c) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance**

	2014				
	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000
Direct insurance :					
Motor	19,556	20,556	(18,330)	(7,809)	(748)
Fire and other damage to property	89,069	91,908	(78,156)	(39,468)	23,634
Third party liability	126,751	133,726	(125,721)	(47,209)	14,716
Credit and Suretyship	374	381	76	(125)	(106)
Marine	12,038	9,935	(8,864)	(3,884)	(571)
Miscellaneous	599	1,054	(157)	3	(866)
	248,387	257,560	(231,152)	(98,492)	36,059
	2013				
	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000
Direct insurance :					
Motor	21,943	22,143	(19,654)	(7,907)	160
Fire and other damage to property	96,718	95,150	(46,249)	(38,756)	(13,331)
Third party liability	139,402	141,144	(153,145)	(51,816)	(4,893)
Credit and Suretyship	382	346	92	(138)	(98)
Marine	9,881	6,292	(21,411)	(1,941)	7,243
Miscellaneous	381	1,069	(70)	(47)	(933)
	268,707	266,144	(240,437)	(100,605)	(11,852)

Commission payable in respect of direct insurance amounted to £32,389,000 (2013: £34,063,000).

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

Notes to the Financial Statements *continued*

4 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:

	2014	2013
	£000	£000
Motor	(2,836)	1,548
Fire and other damage to property	9,538	7,125
General liability	(20,828)	(48,843)
Marine	(608)	(1,778)
Miscellaneous	333	(2,641)
	(14,401)	(44,589)

5 Investment income

	2014	2013
	£000	£000
Income from investments	35,075	37,956
Gains on the realisation of investments	1,347	1,270
Interest on loan to fellow group undertaking	27	120
	36,449	39,346

6 Net operating expenses

	2014	2013
	£000	£000
Acquisition costs	36,627	38,708
Change in gross deferred acquisition costs	602	377
	37,229	39,085
Administrative expenses	61,263	61,520
Gross operating expenses	98,492	100,605
Reinsurance commissions and profit participation	(1,973)	(1,215)
Change in deferred reinsurance commission	(82)	(1,172)
	96,437	98,218

Notes to the Financial Statements *continued***7 Investment expenses and charges**

	2014	2013
	£000	£000
Investment management expenses	1,072	1,114
Losses on the realisation of investments	10,241	7,483
	11,313	8,597

8 Other income

	2014	2013
	£000	£000
Foreign exchange (loss)/gain	(937)	493
Other income	1,554	803
	617	1,296

9 Operating loss/profit on ordinary activities before tax

	2014	2013
	£000	£000
<i>Operating loss/profit on ordinary activities before tax is stated after crediting</i>		
Income from listed investments	35,037	37,835
<i>after charging</i>		
Auditors' remuneration:		
Audit of these financial statements	174	169
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	3	4
Audit-related assurance services	59	68
Taxation compliance services	13	28

Notes to the Financial Statements *continued***10 Remuneration of directors**

	2014	2013
	£000	£000
Directors' fees	116	116
Directors' emoluments	870	894
Company contributions to money purchase schemes	36	35

The salary and bonus of the highest paid director for the year was £338,945 (2013: £397,382) and the pension contribution £22,582 (2013: £22,312). Share options were exercised in both years.

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of directors:		
Money purchase schemes	3	3
Defined benefit schemes	-	-
The number of directors who exercised share options was	2	4
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	-

11 Taxation**(a) Analysis of charge in the year**

	2014	2013
	£000	£000
United Kingdom Corporation Tax		
United Kingdom Corporation Tax at 21.5% (2013: 23.25%)	-	(2,966)
Adjustment in respect of prior periods	1,440	-
	1,440	(2,966)
Foreign tax		
Adjustment in respect of prior periods	540	(49)
Total current tax charge/(credit)	1,980	(3,015)
Deferred tax credit (note 17)	(1,577)	(14,550)
Tax on loss on ordinary activities	403	(17,565)

Notes to the Financial Statements *continued***11 Taxation** *continued***(b) Factors affecting the current tax charge**

The current tax charge for the year is higher than (2013 credit - lower than) the standard rate of corporation tax in the UK:

	2014	2013
	£000	£000
Loss on ordinary activities before tax	(2,038)	(86,010)
Current tax at 21.5% (2013: 23.25%)	(439)	(19,997)
Tax losses carried forward	439	17,239
Difference in overseas taxation basis	-	165
Effect of tax rate change on losses carried back	-	(96)
Adjustments in respect of prior periods	1,980	-
Amounts recognised in the Statement of Total Recognised Gains and Losses	-	(326)
United Kingdom Corporation Tax	1,980	(3,015)

As at 31 December 2014 the Company has tax losses carried forward of £81,847,000 (2013 £74,149,000).

12 Other financial investments

	Market Value 2014	Market Value 2013	Cost 2014	Cost 2013
	£000	£000	£000	£000
Debt securities and other fixed income securities	1,163,396	1,222,378	1,163,132	1,231,280
	1,163,396	1,222,378	1,163,132	1,231,280
Included in debt securities and other fixed income securities:				
UK fixed income securities	563,525	616,468	565,807	621,994
Overseas fixed income securities	599,871	605,910	597,325	609,286
	1,163,396	1,222,378	1,163,132	1,231,280

13 Debtors arising out of insurance operations

	2014	2013
	£000	£000
Amounts owed by intermediaries	36,657	37,685
Amounts owed by policyholders	405	-
	37,062	37,685

Notes to the Financial Statements *continued***14 Debtors arising out of reinsurance operations**

	2014	2013
	£000	£000
Amounts owed by reinsurers	2,969	1,928
	2,969	1,928

15 Other debtors

	2014	2013
	£000	£000
Amounts owed by group undertakings	-	300
Tax recoverable	2,651	3,472
Other debtors	140	802
	2,791	4,574

16 Debtors: Amounts falling due after one year

	2014	2013
	£000	£000
Loan to group undertaking	-	4,800

The loan was to Travelers Management Limited and was repaid on 24 March 2014. It was used to fund the purchase of a property from a fellow group undertaking and was secured against that property. Interest was payable quarterly, calculated at one percent above commercial bank rate. The notice period for the loan repayment was twelve months.

17 Deferred tax asset

(a) The amounts provided for deferred taxation and the amounts unprovided are set out below:

	2014		2013	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Tax losses carried forward	16,369	-	14,830	-
Expense provision	107	-	106	-
	16,476	-	14,936	-

(b) Movement in provided deferred tax

	2014	2013
	£000	£000
Deferred tax asset brought forward	14,936	125
Tax losses carried forward	1,539	14,830
Expense provision	-	(20)
Foreign exchange revaluation of opening provision	1	1
Deferred tax asset carried forward	16,476	14,936

2014 tax losses carried forward comprises of £16,125,000 (2013: £14,550,000) loss on ordinary activities and £244,000 (2013: £280,000) currency translation losses.

Notes to the Financial Statements *continued***18 Called up share capital**

	2014	2013
	£000	£000
Allotted, called up and fully paid		
203,822,115 (2013: 203,822,115) ordinary shares of £1 each	203,822	203,822

19 Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	699	284,832	285,531
Loss for the year	-	(2,441)	(2,441)
Currency translation differences on foreign currency net investments	-	142	142
At end of year	699	282,533	283,232

20 Equalisation Provisions

Equalisation provisions are established in accordance with the requirements of Chapter 1.4 of the Prudential Source Book of Insurers. These provisions, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by Companies Act 2006 to be included within technical provisions in the balance sheet, notwithstanding that they do not represent liabilities at the balance sheet date. This has had the effect of decreasing shareholders' funds by £17,030,000 (2013: £16,742,000) before tax. The movement in the equalisation provisions during the year resulted in a decrease in the general business technical account result and an increase in the loss before taxation of £288,000 (2013: increase in the loss before tax of £741,000).

21 Technical provisions and deferred acquisition costs

	Provision for unearned premiums £000	Claims outstanding £000	Equalisation provision £000	Total £000
Gross amount				
At beginning of the year	138,421	728,952	16,742	884,115
Currency translation differences	(554)	(11,847)	-	(12,401)
Movement in the provision	(9,173)	23,898	288	15,013
At end of the year	128,694	741,003	17,030	886,727
Reinsurance amount				
At beginning of the year	(7,525)	(65,537)	-	(73,062)
Currency translation differences	10	1,473	-	1,483
Movement in the provision	(3,860)	(58,287)	-	(62,147)
At end of the year	(11,375)	(122,351)	-	(133,726)
Net technical provisions				
At end of the year	117,319	618,652	17,030	753,001
At beginning of the year	130,896	663,415	16,742	811,053

Notes to the Financial Statements *continued***21 Technical provisions and deferred acquisition costs** *continued*

	2014	2014	2013	2013
	£000	£000	£000	£000
Net technical provisions at end of year		753,001		811,053
Deferred acquisition costs				
- gross	(13,839)		(14,524)	
- reinsurance commissions	99		181	
		(13,740)		(14,343)
Net insurance funds		739,261		796,710

22 Creditors arising out of direct insurance operations

	2014	2013
	£000	£000
Amounts owed to intermediaries	5,153	4,488
Amounts owed to policyholders	-	1,332
	5,153	5,820

23 Other creditors including taxation and social security

	2014	2013
	£000	£000
Insurance premium taxes	3,869	4,816
Amounts owed to group undertakings	13,118	5,232
Tax payable	168	-
Other creditors	141	448
	17,296	10,496

24 Accruals and deferred income

	2014	2013
	£000	£000
Reinsurers' share of deferred acquisition costs	99	181
Accrued expenses	4,193	3,439
Investment purchases not yet settled	-	18,194
	4,292	21,814

25 Pensions

The Company is one of a number of group companies bearing the costs of a pension scheme providing benefits based on final pensionable pay. This scheme was frozen with effect from 1 April 2003, whereby no further benefits were accrued by the members. Because the Company is unable to identify its share of the liabilities, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the Company as if the scheme was a defined contribution scheme. The last full statutory valuation was carried out as at 1 April 2014 by a qualified independent actuary.

The full actuarial valuation at 1 April 2014 identified a deficit of scheme assets of £2,432,000. Following the valuation it was agreed that monthly contributions of £46,100 would be made for five years commencing 1 January 2015, totalling £2,766,000.

The updated valuation for FRS 17 purposes to 31 December 2014 identified a deficit of £4,431,000 (2013: surplus of £847,000).

Notes to the Financial Statements *continued*

26 Related party transactions

The Company has a management agreement with Travelers Management Limited, an affiliated group undertaking, which employs the Company's personnel and provides a full payroll and expense processing service. All pension disclosures relating to these personnel are available in the accounts of Travelers Management Limited. The total expenses incurred by Travelers Management Limited and recharged to the company during the year were £69,563,052 (2013: £69,431,429). The amount owing to Travelers Management Limited at the year end was £12,620,059 (2013 £4,876,144).

27 Commitments and Contingent Liabilities

In the normal course of business letters of credit to the value of £48,129 (2013 £45,273) have been issued to fiscal authorities against insurance tax liabilities. These are secured against bank deposits.

The Company has also guaranteed the lease commitments of an affiliated company relating to the two main operating premises in the United Kingdom of £1,234,800 and £1,855,600 per annum respectively. These leases expire in 2016 and 2018 respectively.

Acting as a third party depositor under a trust deed executed in 2013, the Company deposited £110,000,000 in bonds with Lloyd's as security for the underwriting activities of its affiliate companies Aprilgrange Limited and F&G UK Underwriters Limited. This amount was reduced to £100,000,000 in 2014. The fees attaching to this security and earned by the Company were £1,092,603 (2013 153,425).

28 Immediate and ultimate parent company

The immediate and ultimate parent undertaking of the Company is The Travelers Companies, Inc., a company registered in the United States. Copies of The Travelers Companies, Inc. accounts can be obtained from this Company's registered office, Exchequer Court, 33 St. Mary Axe, London EC3A 8AG or the Company's website.

29 Affiliate company guarantee

All obligations and liabilities of the Company arising from the Company's past or future underwriting activities are guaranteed unconditionally by St. Paul Fire & Marine Insurance Company, one of the principal insurance underwriting members of The Travelers Companies, Inc.. The guarantee is terminable by the guarantor on twelve months' notice, but termination would, by the terms of the guarantee, be of no effect in respect of business underwritten prior to the date of termination.

30 Investments in Group Undertakings

Travelers Professional Risks Limited is a wholly owned subsidiary of the Company.

Under the Companies Act 2006 Section 401, for accounting periods beginning or after 1st January 2005 an exemption from preparing consolidated accounts is available, subject to certain conditions. Following an assessment of these conditions it is considered appropriate for the Company to take advantage of the exemption from preparing consolidated accounts and therefore these financial statements are for the Company only. Travelers Professional Risks Limited has therefore not been consolidated in these accounts. Travelers Professional Risks Limited had net assets at 31 December 2014 of £394,665 (2013 £355,415).

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

We have audited the financial statements of Travelers Insurance Company Limited, (the "Company") for the year ended 31 December 2014 set out on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. The nature of equalisation provisions, the amounts set aside at 31 December 2014 and the effect of the movement in those provisions during the year on shareholders' funds, the balance on the general business technical account and profit and loss before tax, are disclosed in note 20.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the financial reporting council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;

- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Review Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Bell

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL

25 March 2015



Travelers Insurance Company Limited
61 - 63 London Road, Redhill, Surrey RH1 1NA

Travelers Insurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered office: Exchequer Court, 33 St. Mary Axe, London EC3A 8AG. Registered in England 1034343

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