



2024 ANNUAL REPORT

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THE COMPANY

Directors

Anthony Coughlan	(Independent Non-Executive Chair)
Peter McConnell	(Executive)
Andrew McKee	(Independent Non-Executive)
Maria Olivo	(Non-Executive)
Gregory Somerville	(Independent Non-Executive)
Matthew Wilson	(Chief Executive Officer)
Mary Woods	(Non-Executive)

Company Secretary

Jennifer Foley

Registered Office

30 Fenchurch Street
London
EC3M 3BD

Registered in England No 1034343

Bankers

Citibank NA
Barclays Bank Plc

Auditor

Forvis Mazars LLP
30 Old Bailey
London EC4M 7AU

STRATEGIC REPORT OF THE DIRECTORS

The Directors of Travelers Insurance Company Limited (the "Company") present their strategic report for the year ended 31 December 2024.

Principal activity

The principal activity of the Company is the transaction of commercial lines general insurance business.

The Company is a provider of insurance solutions targeted at specific customer groups where it can add value with tailored insurance coverage, specific claims handling and risk management expertise. The Company's major target customer groups include technology, healthcare and automotive companies, local authorities, property owners, solicitors, financial institutions, and large corporate insureds. The Company also writes certain specialty classes of insurance including Renewable Energy, Public and Private Company Directors and Officers and certain marine classes, including Hull, Cargo and Ports and Terminals.

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 Strategic Report below.

	2024	2023
	£000	£000
Gross premiums written	514,681	516,849
Earned premiums, net of reinsurance	438,603	438,882
Claims incurred, net of reinsurance	(251,454)	(268,925)
Net operating expenses	(155,004)	(140,393)
Profit for the financial year	58,025	48,551
Loss ratio	57.3%	61.3%
Expense ratio	35.3%	32.0%
Combined ratio	92.6%	93.3%

The loss ratio represents the claims incurred as a percentage of earned premiums, both net of reinsurance. The expense ratio represents the operating expenses as a percentage of earned premiums, both net of reinsurance. The combined ratio is the loss ratio plus the expense ratio.

Financial results

Travelers Insurance Company Limited reported a profit of £58.0m in 2024 (2023 profit of £48.6m) and a combined ratio of 92.6% (2023 93.3%). The Company result benefited from favourable prior year reserve developments in 2024 of £22.8m (2023 adverse £21.1m). Excluding prior year reserve developments, the combined ratio was 97.9% (2023 88.4%).

The performance in the year was impacted by lower premiums assumed through the whole account quota share ("WAQS") with the Company's subsidiary, Travelers Insurance Designated Activity Company. Total gross premiums written decreased by 0.4% to £514.7m (2023 £516.8m). Gross written premiums assumed through the WAQS decreased by 19.6% year on year, compared to an 8.2% increase in directly written premiums. The decrease in premiums was offset by an increase in the investment return and favourable prior year reserve development. The 2024 loss ratio, excluding prior year releases, was 6.1 points adverse to 2023, predominantly due to large losses in the Fire and other damage to property line of business.

The expense ratio increased by 3.3 pts to 35.3% (2023 32.0%) due to a planned increase in headcount. Net earned premium decreased by 0.1% to £438.6m.

The investment return reported within profit on ordinary activities was a gain of £44.9m (2023 gain £33.2m), driven by higher yields. The Company invests in high quality corporate and government bonds with an average credit quality of AA. Investments under management at 31 December 2024 totalled £1.8bn (2023 £1.7bn). The Company reported an unrealised gain, before tax of £17.0m (2023 gain £61.0m) within total comprehensive income.

Trading environment

Due to the high inflationary environment and generally softening insurance-pricing, there was uncertainty surrounding the trading environment entering into 2024. The Company continued to focus on improving underwriting profitability through managing the mix of business written towards higher margin products. Despite this uncertain trading environment, the company was able to drive positive rate changes within its Business Insurance segment. This growth was more than offset by a softening of rates in the Bond and Specialty segment.

Our focus during 2025 will be to continue to develop our specialist products and our customer service proposition to grow our book, whilst optimising the opportunity presented by expected market conditions to deliver another year of strong underwriting profits.

STRATEGIC REPORT OF THE DIRECTORS *(continued)*

Capital management

The Company's financial strength remains strong with net assets increasing during the year to £789.0m (2023 £718.2m). As of the date of this report, the Company's financial strength ratings are A++ (superior) from AM Best and AA from S&P Global Ratings.

During the year the Company was in compliance with the capital requirements set by its regulator, the Prudential Regulation Authority.

During 2024 the Company did not pay a dividend (2023 £nil).

Subsidiary

The Company historically traded in Europe through its branch in Ireland and by writing business on a freedom of services basis to support its UK and Ireland insureds' exposures in the European Union ("EU"). In order to continue trading in the EU post the UK's departure, the Company established a new wholly owned subsidiary, Travelers Insurance Designated Activity Company ("TIDAC"). TIDAC received its authorisation from the Central Bank of Ireland, the insurance regulatory authority, on the 28 January 2019 and began trading on 1 April 2019.

TIDAC cedes 80% of its business to the Company by way of a whole account quota share reinsurance agreement.

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 capital model to monitor performance against risk appetite using pre-agreed 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 the maximum probable loss from catastrophe exposed business. Reserve adequacy is monitored through quarterly internal actuarial reviews. The Underwriting Committee oversees underwriting risk and the Finance Committee oversees reserving risk.

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

Inflation risk

A high inflationary environment began in 2021 and started to moderate from 2023 onwards. At the year end inflation levels were close to the Bank of England's target of 2%. The Company continually monitors and reviews the potential impact of inflation on the value of its insurance liabilities and the pricing of risks. The valuation of insurance liabilities takes into account the effects of inflation as well as other societal and economic factors. The Company has carefully considered the impact of the recent inflationary environment on its business plan and has reviewed the inflation assumptions for all classes of business. The key assumptions affecting the loss ratios are the extent of excess inflation and the proportion of exposure inflation assumed to be captured within pricing.

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 selection of reinsurers and managing the quantum of exposure ceded to an individual reinsurer. 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.

STRATEGIC REPORT OF THE DIRECTORS *(continued)*

Principal Risks and Uncertainties *(continued)*

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 Executive Risk Committee.

Regulatory risk

Regulatory risk comprises the failure to comply with relevant regulations and laws. During the year the Company was in compliance with the capital requirements set by its regulator, the Prudential Regulation Authority. There were no changes in the Company's approach to capital risk management during the current or prior year. The Company is continuing to be in compliance with its regulatory capital requirements under the Solvency UK regime. Regulatory risk exposures are monitored by the Executive Risk Committee.

Conduct risk

Conduct risk is the risk that the Company (or its agents) fails to pay due regard to the interests of its customers or fails 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.

Energy and consumption

For the year ended 31 December 2024 the Company used the following quantity of emissions of carbon dioxide equivalent and consumed the following amount of energy in the United Kingdom:

	2024		2023	
	Carbon dioxide emissions	Energy Consumed	Carbon dioxide emissions	Energy Consumed
	(Tonnes)	(KWHs)	(Tonnes)	(KWHs)
Combustion of gas (scope 1)	0.4	34	0.5	-
Purchase of electricity (scope 2)	98.2	470,881	83.0	426,754
Consumption of fuel (scope 3)	23.1	95,469	26.0	106,559
Total	121.7	566,384	109.5	533,313

Scope 3 relates to energy use and related emissions from business travel in rental or employee-owned vehicles.

Electricity energy increases in the year were predominantly due to the running of two London offices concurrently during the transition project for the new office.

The carbon dioxide emissions and energy consumption from the activities of the Company were calculated based on the Greenhouse Gas ("GHG") Protocol. The conversion factors used are those from the UK government for 2024.

The 2024 and 2023 intensity ratios, calculated based on gross premiums written, are 2.36 tonnes CO₂e (2023 2.12 tonnes) for every £10m of gross premiums written.

STRATEGIC REPORT OF THE DIRECTORS *(continued)*

Corporate Governance

The Board of Directors and management of the Company are committed to implementing sound corporate governance practices with the goal of ensuring that the Company operates with a culture of honesty, integrity and accountability that it believes is critical to its long-term success and the interest of its shareholder. For the year ended 31 December 2024, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Companies (“Wates Principles”). The Company’s corporate governance framework, set against the Wates Principles, is set out below.

Purpose and leadership

The Company’s mission and purpose is aligned with its parent, The Travelers Companies, Inc. The Company’s mission is creating shareholder value and its purpose is to deliver the Travelers Promise. We create shareholder value by delivering superior returns on equity and by leveraging our competitive advantage. The Travelers Promise is a commitment to take care of our customers, communities and each other.

In line with the Company’s mission and purpose, the Board works with management to set the short-term and long-term strategic objectives and to monitor progress on those objectives. The strategy as a whole is consistent with that of The Travelers Companies, Inc., its sole shareholder.

In setting and monitoring strategy, the Board, along with management, considers the risks and opportunities that impact the long-term sustainability of our business model and whether the strategy is consistent with our values, culture and risk appetite. The Board and management ensure both the strategy and purpose are cascaded down to the workforce through roadshows, town hall meetings, CEO calls and internal communications.

The Company has clearly articulated values of honesty, integrity and accountability which are set out in the Travelers Code of Conduct (“the Code”). Our culture supports our values and is key to our mission and purpose.

Board composition

The Board is chaired by an independent non-executive director, whose role is distinct from the Chief Executive role. The Chair is responsible for leading and managing the Board, promoting debate and ensuring directors have accurate, timely and clear information.

The Board is comprised of more non-executive than executive directors; three of the non-executive directors are independent. The size and structure of the Board is reviewed on an annual basis to ensure it remains appropriate with sufficient balance and diversity. During the annual review, the skills, expertise, industry knowledge and viewpoints of the board are assessed to ensure the effectiveness of the Board is enhanced.

The Board has specific board training sessions during the year to ensure the board members' skills and knowledge are up to date.

Directors' responsibilities

The Board has ultimate responsibility for the Company’s affairs and has a duty to make decisions and take actions to promote the success of the Company for the benefit of its shareholder having regard to the stakeholders. “Matters Reserved for the Board” include but are not limited to the following issues:

- Strategy and management
- Structure and capital
- Financial reporting and controls
- Delegation of authority
- Corporate governance

The internal governance framework provides clear lines of accountability and supports effective decision making. The Board has three constitutional committees: the Audit Committee, the Risk and Remuneration Committee and the Governance Committee. Each Committee has three members, who are the independent non-executive directors.

The Company ensures that all persons who effectively run the Company, or hold key functions, are fit and proper to undertake their roles. The Company assesses the fitness and propriety of persons performing key functions on an ongoing basis. In addition, the Company has an annual performance assessment process which measures performance against minimum competencies required for those persons effectively running the Company.

There are formal and robust internal processes in place to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to the Board and its Committees is reliable, enabling directors to monitor and challenge the performance of the Company, and make informed decisions.

STRATEGIC REPORT OF THE DIRECTORS *(continued)*

Corporate Governance *(continued)*

Opportunities and risks

The Board actively promotes the success of the Company by identifying opportunities while mitigating risk. The Board considers and assesses how the Company creates and preserves value over the long-term. The Board reviews its principal risks annually and also considers the impact of any major projects or changes to strategic approach during the course of the year. The internal risk management framework is deployed to manage risks on a day-to-day basis with regular reports being provided to the Risk and Remuneration Committee and the Board. The Board has an internal control framework which includes utilising a three lines of defence model. The risk appetite set by the Board is monitored by the Executive Risk Committee which reports to the Risk and Remuneration Committee on a quarterly basis.

Remuneration

While the Company does not have any direct employees, the service management company engaged by the Company, Travelers Management Limited, has adopted a Remuneration Policy which has been approved by the Board. The purpose of the Remuneration Policy is to define the minimum standards, and roles and responsibilities, relating to remuneration of the workforce. The policy reflects the Company's commitment to a pay for performance philosophy based on individual and Company performance. As to risk mitigation, all planned individual compensation actions, including fixed and variable elements are reviewed in a robust and disciplined manner internally at several layers of management, in addition to a review with the Company's Risk and Remuneration Committee of the Board of Directors.

Stakeholder relationships and engagement

The Company recognises the importance of meaningfully engaging with all stakeholders including the workforce and taking their view into account when developing the long-term and short-term goals. The Company's Section 172 statement has identified a range of stakeholders and how the Company engages with them.

Section 172 statement

The Directors, individually and collectively, have considered the requirements of Section 172 of the Companies Act to perform their duties in good faith and in a way most likely to promote the success of the Company for the benefit of its shareholder, having regard to the stakeholders and matters set out in S172 (a) (a-f) of Companies Act 2006. The paragraphs below set out how the Directors fulfil their duties under the Section 172 requirements.

Consequences of any decision in the long term

The Company has a business plan with a three-year horizon setting out the financial and capital implications of strategic and other business decisions, which the Board considers annually. This plan ensures that over the three-year horizon the regulatory capital coverage is above the minimum regulatory capital target and this is an important factor in the Board approving this plan.

The Board has established an Enterprise Risk Management framework through which major risks to which the Company is exposed are identified and to ensure the means are in place for the Company to monitor and manage these risks. Further information is set out in note 4 to the financial statements. Further, the Board considers and approves annually an Own Risk and Solvency Assessment ("ORSA"), one purpose of which is to assess, in a continuous and prospective way, the overall solvency needs related to the specific risk profile of the Company.

Interests of the Company employees

The Company does not have any direct employees and relies on an affiliated service company, Travelers Management Limited, for the provision of staff. Travelers recognises that the Company's success is dependent on having engaged and committed employees. A number of actions have been taken in recent years to enhance employee engagement, including a greater focus on enabling flexible working arrangements and initiatives to encourage a more inclusive and diverse employee base.

STRATEGIC REPORT OF THE DIRECTORS *(continued)*

Section 172 statement *(continued)*

Interests of the Company's customers, suppliers and others

The Company's customers are its policyholders. As the Company develops new products and services it engages with its customers and their brokers to inform the design of those products and services. On a regular basis, the Company solicits feedback from brokers on its products and services. This feedback is used to prioritise enhancements to customer interactions.

The Company does not have a dependency on any particular supplier outside The Travelers Companies Inc. group. Where it outsources activities the Company seeks to build long term relationships with its outsourced service providers.

Operating as an insurance company requires the necessary regulatory permissions. An important stakeholder relationship is that between the Company and its regulators, the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA"). The Directors and the Company's senior management are committed to working with regulators in an open and transparent way.

Impact of the Company's operations on the community and the environment

As an insurance company, we take our role seriously in supporting policyholders and claimants at difficult times following events that present physical, financial, mental and other hardships. The Directors are committed to the role that the Company plays in the community, and the economy more broadly, and actively promote a claims philosophy and standards of conduct that reflect customers' needs. Claims workflow, operational and conduct metrics are reported to the Board on a quarterly basis.

Given the scale and nature of our operations the Company does not have a significant direct impact on the environment. However, the Directors acknowledge that everyone has a role to play in protecting the environment. This topic has been given more time on the Board's agendas. The European operations of The Travelers Companies Inc. has a "Green group" that promotes environmentally friendly activities to the Company and its staff.

The Company, along with other parts of The Travelers Companies Inc. broader European operations, indirectly partners with OnHand, a "tech for good" organisation that matches volunteers with opportunities in their local communities, such as providing companionship to isolated individuals and mentoring disadvantaged youth. As part of the partnership with OnHand, OnHand plants trees in the U.K. and around the world on behalf of The Travelers Companies Inc. European operations.

Maintaining a reputation for high standards of business conduct

The PRA's Senior Managers and Certification Regime ("SM&CR") places upon the Board and Senior Managers personal accountability and responsibility for decisions made and also applies conduct rules to promote the success of the Company whilst ensuring customers are treated fairly. The importance of these rules has been reinforced by internal training provided to the Directors and senior management, as well as to all staff. The Directors, senior management and all staff are also required to undergo annual training on the Travelers Code of Business Conduct and Ethics, and to certify compliance with this requirement. The Directors consider the Company's compliance with the requirements of the Code of Business Conduct and Ethics, as well as the conduct rules under the SM&CR, supports the maintenance of a reputation for high standards of business conduct.

Need to act fairly as between shareholders

The Company has had one shareholder throughout the period, The Travelers Companies, Inc. The risk of acting unfairly between shareholders does not, therefore, arise.

On behalf of the Board

Matthew Wilson
Chief Executive Officer
Travelers Insurance Company Limited
3 April 2025

DIRECTORS' REPORT

The Directors present their annual report together with the financial statements for the 12 months ended 31 December 2024.

Principal activity

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

Business Review

An analysis of the performance and future developments of the Company is contained within the Strategic Report and the results for the financial year are set out on pages 13 and 14.

Directors and directors' interests

All the directors set out on page 3 served throughout the year and up to the approval of these accounts.

Disclosure of information to the auditor

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. Coughlan was Chair of the Audit 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 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 attend the Committee meetings. At least once a year the Committee meets, 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. The Company does not have any external debt. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the 2025 business plan, the likely trading environment over the next twelve months. The Directors concluded that it remained appropriate to continue to prepare the Company's financial statements using the Going Concern assumption.

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, an affiliate of the Company. The average payment terms are disclosed in that Company's accounts. The Company also has a management agreement with Travelers Management Limited, who employs the Company's personnel. The employment policies are disclosed in that Company's accounts.

Stakeholder engagement

Statements regarding stakeholder engagement are contained within the Strategic Report.

DIRECTORS' REPORT *(continued)*

Investment risk management

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.

Key risks facing the business

A discussion of the key risks facing the business and how they are mitigated is set out on pages 5 to 6 of the Strategic Report of the Directors and in note 4 to the financial statements on pages 25 to 30.

Changing climate conditions

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 lower 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 lower 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 lower 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 our 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 our 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.

The Company's energy consumption as well as greenhouse gas emissions for the purposes of Streamlined Energy and Carbon Reporting has been disclosed in the strategic report of the directors.

Political contributions

Political contributions were £nil during 2024 (2023 £nil).

Dividends

During 2024 the Company did not pay a dividend (2023 £nil).

Auditors

Pursuant to section 487 of the Companies Act 2006, Forvis Mazars LLP will be deemed to have been reappointed and will therefore continue in office in 2025.

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, 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) including Financial Reporting Standard 102 ("FRS 102"), The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 - "Insurance contracts" ("FRS 103").

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:

- 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 to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Jennifer Foley
Company Secretary

3 April 2025

30 Fenchurch Street,
London,
EC3M 3BD

PROFIT AND LOSS ACCOUNT : TECHNICAL ACCOUNT - GENERAL BUSINESS

for the year ended 31 December 2024

	Note	2024 £000	2023 £000
Gross premiums written	6	514,681	516,849
Outward reinsurance premiums		(82,121)	(73,702)
Net premiums written		<u>432,560</u>	<u>443,147</u>
Change in the gross provision for unearned premiums	22	7,100	(7,348)
Change in the provision for unearned premiums, reinsurers' share	22	(1,057)	3,083
Earned premiums, net of reinsurance		<u>438,603</u>	<u>438,882</u>
Allocated investment return transferred from the non-technical account		44,927	33,218
Claims paid:			
Gross amount		(214,280)	(174,517)
Reinsurers' share		<u>43,003</u>	<u>16,390</u>
Net claims paid		<u>(171,277)</u>	<u>(158,127)</u>
Change in the provision for claims:			
Gross amount	22	(83,052)	(149,088)
Reinsurers' share	22	<u>2,875</u>	<u>38,290</u>
Change in the net provision for claims		<u>(80,177)</u>	<u>(110,798)</u>
Claims incurred, net of reinsurance		<u>(251,454)</u>	<u>(268,925)</u>
Net operating expenses	9	(155,004)	(140,393)
BALANCE ON THE TECHNICAL ACCOUNT		<u><u>77,072</u></u>	<u><u>62,782</u></u>

The notes on pages 19 to 42 form part of these financial statements.

PROFIT AND LOSS ACCOUNT : NON-TECHNICAL ACCOUNT

for the year ended 31 December 2024

	<i>Note</i>	2024 £000	2023 £000
Balance on the general business technical account		77,072	62,782
Investment income	8	57,418	39,908
Investment expenses and charges	10	(12,491)	(6,690)
Net investment return		<u>44,927</u>	<u>33,218</u>
Allocated investment return transferred to the general business technical account		<u>(44,927)</u>	<u>(33,218)</u>
Other expenses	11	(139)	(296)
Profit on ordinary activities before tax	5/12	<u>76,933</u>	<u>62,486</u>
Tax charge on profit on ordinary activities	14	(18,908)	(13,935)
PROFIT FOR THE FINANCIAL YEAR		<u>58,025</u>	<u>48,551</u>

The profit for the financial year arising from run-off operations is a profit of £2.1m (2023 profit of £1.0m). Further detail is provided in Note 5 to the accounts.

The notes on pages 19 to 42 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME*for the year ended 31 December 2024*

	<i>Note</i>	2024 £000	2023 £000
Profit for the financial year		58,025	48,551
Unrealised gains on investments	16	17,010	60,974
Tax charge on unrealised gains on investments	14	(4,251)	(15,124)
TOTAL COMPREHENSIVE INCOME		<u>70,784</u>	<u>94,401</u>

The notes on pages 19 to 42 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

		Share capital £000	Share premium £000	Profit and loss account £000	Fair value reserve £000	Total equity £000
At 1 January 2023	<i>Note</i>	392,055	699	336,079	(105,030)	623,803
Profit for the financial year		-	-	48,551	-	48,551
Other gains recognised in Other Comprehensive Income						
Unrealised gains on investments, net of tax		-	-	-	45,850	45,850
Balance at 31 December 2023		392,055	699	384,630	(59,180)	718,204
Profit for the financial year		-	-	58,025	-	58,025
Other gains recognised in Other Comprehensive Income						
Unrealised gains on investments, net of tax		-	-	-	12,759	12,759
Balance at 31 December 2024		392,055	699	442,655	(46,421)	788,988

The profit and loss account includes £6.5m (2023 £3.4m) of realised losses, net of tax, which have been transferred from the fair value reserve, of this £12.0m losses (2023 £9.5m losses) relate to amounts brought forward from 31 December 2023.

The notes on pages 19 to 42 form part of these financial statements.

BALANCE SHEET

as at 31 December 2024

	Note	2024 £000	2023 £000
ASSETS			
Investments			
Investment in group undertaking	15	114,628	114,628
Other financial investments	16	1,801,790	1,678,014
		<u>1,916,418</u>	<u>1,792,642</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums	22	32,452	33,379
Claims outstanding	22	160,821	157,427
		<u>193,273</u>	<u>190,806</u>
Debtors			
Debtors arising out of insurance operations	17	98,903	99,538
Debtors arising out of reinsurance operations	18	6,603	5,991
Other debtors	19	27,221	22,717
		<u>132,727</u>	<u>128,246</u>
Other assets			
Deferred tax asset	20	20,654	34,981
Cash at bank		46,638	38,685
		<u>67,292</u>	<u>73,666</u>
Prepayments and accrued income			
Accrued interest		25,788	20,734
Deferred acquisition costs	22	35,249	34,528
		<u>61,037</u>	<u>55,262</u>
TOTAL ASSETS		<u><u>2,370,747</u></u>	<u><u>2,240,622</u></u>

The notes on pages 19 to 42 form part of these financial statements.

BALANCE SHEET *(continued)*
as at 31 December 2024

	<i>Note</i>	2024 £000	2023 £000
LIABILITIES			
Capital and reserves			
Called up share capital	21	392,055	392,055
Share premium account		699	699
Profit and loss account		442,655	384,630
Fair value reserve		(46,421)	(59,180)
Shareholders' funds attributable to equity interests		<u>788,988</u>	<u>718,204</u>
Technical provisions			
Provision for unearned premiums	22	263,578	271,606
Claims outstanding	22	1,244,614	1,167,175
		<u>1,508,192</u>	<u>1,438,781</u>
Creditors			
Creditors arising out of insurance operations	24	6,976	7,812
Creditors arising out of reinsurance operations		24,670	30,474
Other creditors including taxation and social security	25	31,438	38,810
		<u>63,084</u>	<u>77,096</u>
Accruals and deferred income	26	10,483	6,541
TOTAL LIABILITIES		<u><u>2,370,747</u></u>	<u><u>2,240,622</u></u>

These financial statements were approved by the Board of Directors on 31 March 2025 and were signed on its behalf by:

Peter McConnell
Chief Financial Officer
3 April 2025

Travelers Insurance Company Limited
Registered in England No 1034343

The notes on pages 19 to 42 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

Travelers Insurance Company Limited ("the Company") is a limited liability company incorporated in England. Its registered office is at 30 Fenchurch Street, London, EC3M 3BD. 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 Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 - "Insurance contracts" ("FRS 103").

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 of the Company were approved for issue by the Board of Directors on 31 March 2025. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements have been presented in Sterling, rounded to the nearest thousand pounds.

The Company is exempt, by virtue of s401 of the Companies Act 2006, from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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 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 1.12 FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes, as per Section 7 paragraph 3.17; and
- Key management personnel compensation, as per paragraph 33.7.

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. The Company does not have any external debt. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the 2025 business plan, the likely trading environment over the next twelve months. 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 premiums written

Under the annual basis of accounting, premiums written, gross of commission payable to intermediaries, comprise the direct and inward reinsurance premiums on contracts inception 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

Premiums written 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 time apportionment, or are earned on the basis of established earnings patterns. The reinsurers' share of unearned premiums is calculated with reference to the risk profile of the underlying reinsurance contract.

Acquisition costs

Commission and fees paid to brokers for direct insurance and inward reinsurance policies written that relate to unexpired premiums are deferred and expensed over the related policy contract period. All other acquisition costs are recognised as they are incurred. Where proportional reinsurance is bought, the relevant share of gross commission is treated as commissions ceded to reinsurers.

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; and
- Bornhuetter Ferguson method, which combines use of Expected loss ratios, for the more recent and underdeveloped accident years, and the Chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each 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.

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

Reinsurance ceded

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

Unexpired risks

At each reporting date a liability adequacy test is performed, and if required, 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.

Investment in group undertaking

The investment in group undertaking is measured at cost less accumulated impairment.

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 UK), 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 statement of profit and loss or statement of comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Notes to the financial statements *(continued)*

2 Significant accounting policies *(continued)*

Financial assets and liabilities (continued)

Classification (continued)

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 loss 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, otherwise it is reversed through the statement of comprehensive income.

Recognition

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

Identification and measurement of impairment

The Company conducts a periodic review to identify invested assets that are impaired. Some of the factors considered in identifying other than temporary impairments 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 recovery in full of the principal and interest (i.e., whether there is a credit loss);
- the financial condition, near-term and long-term prospects for the issuer including the relevant industry conditions and trends, and rating agency actions and offering prices.

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

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

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

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.

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

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and the purchase price of the investments. Changes in unrealised investment gains and losses during the year include the increase or decrease in the value of investments held at the reporting date and the reversal of unrealised gains and losses recognised in previous reporting periods for investments disposed of during the current period. These movements in unrealised investment gains and losses are reported in the Statement of Comprehensive Income.

Functional currency

The functional currency of the Company 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 the 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.

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.

Provisions and contingent liabilities

A provision is recognised on the Balance Sheet when the Company has a future liability due to a past event and a reliable estimate of the obligation can be made.

A contingent liability is either a future liability due to a past event where a reliable estimate of the obligation cannot be reasonably made or a possible future liability, dependant on whether some uncertain future events occur. Contingent liabilities are disclosed in the annual accounts unless the probability of an outflow of resources is remote.

Notes to the financial statements *(continued)*

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 their 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.

Incurred but not reported claims

The most critical estimate included within the Company's balance sheet is that in respect of losses incurred but not reported ("IBNR").

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- Changes in the legal environment;
- The effects of inflation;
- Changes in the mix of business;
- The impact of large losses; and
- Movements in industry benchmarks.

A component of these estimation techniques is the estimation of the cost of notified but not paid claims. In estimating the cost of these claims, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims affecting each relevant business class are generally assessed separately, either measured on a case by case basis or projected separately, in order to allow for the possible distorting effect of the development and incidence of these large claims. Where possible, multiple techniques are adopted in order to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements in the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability. An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.

The gross IBNR held at 31 December 2024 was £874.2m (2023 £751.2m). This is disclosed in note 22 to these accounts.

A sensitivity of the results and shareholders funds to a 10% increase or decrease in net loss ratio is disclosed on page 26 of these accounts.

Deferred tax asset

Significant assumptions are required in valuing the Company's deferred tax asset on losses carried forward. The deferred tax asset is valued using an estimate of future profits by financial year and then applying the latest tax rate which has received Royal Assent and which might reasonably be expected to apply when the timing differences reverse.

The recoverability of the deferred tax asset depends on the availability of future profits. Projected profits of the Company over the three year business planning cycle has been used as the basis for determining the recoverability of this asset, together with the indefinite tax loss carry forward available in the UK.

The deferred tax asset in respect of tax losses carried forward was £5.8m at 31 December 2024 (2023 £15.9m).

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

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

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 a quarterly 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.

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 premiums written by class of business based on the location of the underlying risk:

	UK £000	EEA £000	USA £000	Other £000	Total £000
2024					
Credit and Suretyship	7,483	3,291	225	1,082	12,081
Fire and other damage to property	154,387	14,728	21,428	1,760	192,303
Marine and aviation	27,700	2,364	1,606	675	32,345
Motor	16,346	5,291	179	-	21,816
Third party liability	194,723	49,390	3,637	8,025	255,775
Miscellaneous	462	(30)	5	(76)	361
Total	401,101	75,034	27,080	11,466	514,681

	UK £000	EEA £000	USA £000	Other £000	Total £000
2023					
Credit and Suretyship	3,114	4,482	216	1,435	9,247
Fire and other damage to property	137,004	14,457	33,554	1,300	186,315
Marine and aviation	12,882	5,234	403	972	19,491
Motor	12,940	5,177	135	-	18,252
Third party liability	233,365	46,835	1,471	846	282,517
Miscellaneous	885	85	8	49	1,027
Total	400,190	76,270	35,787	4,602	516,849

Risks located in EEA countries are underwritten by TIDAC and reinsured by TICL through the 80% whole account quota share. Direct and inwards reinsurance is referred to further in Note 6.

Loss ratio sensitivity

The following tables show the impact on the Company's post tax result and financial position were the loss ratio (claims incurred over earned premium) to increase by 10%. 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:

	2024 £000	2023 £000
Total decrease in result after tax and net assets - gross of reinsurance	19,567	19,488
Total decrease in result after tax and net assets - net of reinsurance	16,448	16,787

Profit and loss sensitivity to expenses

The following table shows the impact were net operating expenses to increase by 10%:

	2024 £000	2023 £000
Total decrease in result after tax and net assets - gross of reinsurance	12,423	5,741
Total decrease in result after tax and net assets - net of reinsurance	11,625	5,370

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;
- 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 purchase reinsurance only from reinsurers who meet the Company's 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.

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:

2024	AAA	AA	A	BBB	Not rated	Total
	£000	£000	£000	£000	£000	£000
Other financial investments	501,645	678,172	615,754	6,219	-	1,801,790
Reinsurance claims outstanding	-	44,025	116,510	-	286	160,821
Reinsurance debtors	-	4,735	1,856	-	12	6,603
Insurance debtors	-	-	-	-	98,903	98,903
Other debtors	-	-	-	-	27,221	27,221
Cash at bank	-	914	45,724	-	-	46,638
Total by rating	501,645	727,846	779,844	6,219	126,422	2,141,976
Percentage by rating	23.4%	34.0%	36.4%	0.3%	5.9%	100.0%

2023	AAA	AA	A	BBB	Not rated	Total
	£000	£000	£000	£000	£000	£000
Other financial investments	472,641	655,746	549,627	-	-	1,678,014
Reinsurance claims outstanding	-	47,264	106,820	156	3,187	157,427
Reinsurance debtors	-	775	4,584	-	632	5,991
Insurance debtors	-	-	-	-	99,538	99,538
Other debtors	-	-	-	-	22,717	22,717
Cash at bank	-	2,546	36,139	-	-	38,685
Total by rating	472,641	706,331	697,170	156	126,074	2,002,372
Percentage by rating	23.6%	35.3%	34.8%	0.0%	6.3%	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 New York Life Insurance Co as at 31 December 2024 (2023 Federal Republic of Germany). 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.

Within the AA rating, the largest reinsurance counterparty at 31 December 2024 was Travelers Casualty and Surety of America (2023 Travelers Casualty and Surety of America), an affiliate group company.

As at 31 December 2024 and 2023 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.

As at 31 December 2023, the Company had pledged £19.1m as collateral to support the capital requirements of an affiliate company. On 19 June 2024, those funds were returned in full.

As at 31 December 2024, the Company had pledged £393.7m of fixed income securities and cash (2023 £371.3m) as collateral to support the Company's obligations under the 80% quota share reinsurance with its subsidiary Travelers Insurance Designated Activity Company.

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

	Within terms £000	0 - 1 month £000	2 - 3 months £000	Over 3 Months £000	Impairments £000	Total £000
2024						
Other financial investments	1,801,790	-	-	-	-	1,801,790
Reinsurance claims outstanding	160,821	-	-	-	-	160,821
Reinsurance debtors	5,546	12	194	851	-	6,603
Insurance debtors	92,521	2,213	2,830	1,339	-	98,903
Other debtors	27,221	-	-	-	-	27,221
Cash at bank	46,638	-	-	-	-	46,638
Total	2,134,537	2,225	3,024	2,190	-	2,141,976
	Within terms £000	0 - 1 month £000	2 - 3 months £000	Over 3 Months £000	Impairments £000	Total £000
2023						
Other financial investments	1,678,014	-	-	-	-	1,678,014
Reinsurance claims outstanding	157,427	-	-	-	-	157,427
Reinsurance debtors	2,001	1,276	858	1,856	-	5,991
Insurance debtors	87,691	4,193	2,500	5,154	-	99,538
Other debtors	22,717	-	-	-	-	22,717
Cash at bank	38,685	-	-	-	-	38,685
Total	1,986,535	5,469	3,358	7,010	-	2,002,372

All amounts are due within 12 months.

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.

	2024	2023
	£000	£000
Impact of 50 basis point increase on result and net assets	(17,089)	(15,716)
Impact of 50 basis point decrease on result and net assets	17,476	16,047
Impact of 200 basis point increase on result and net assets	(66,109)	(60,967)
Impact of 200 basis point decrease on result and net assets	72,310	66,217

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 the UK. The Company has a currency exposure to the 80% reinsurance quota share agreement with its subsidiary TIDAC. The Company also has currency exposures to intercompany transactions with its parent company in the United States. Accordingly, its net assets are subject to foreign exchange movements between Sterling and the Euro and US dollar. The Company manages these exposures by monitoring them regularly and ensuring its Euro and US dollar asset exposures, other than that in respect of the cost of its investment in subsidiary, are matched by broadly equivalent Euro and US dollar liability exposures, with any surplus net assets held in Sterling.

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

	Pound sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Net assets as at 31 December 2024	656,921	137,618	(5,552)	1	788,988
Net assets as at 31 December 2023	586,965	130,121	1,240	(122)	718,204

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

	Increase Sterling/ Euro £000	Decrease Sterling/ Euro £000	Increase Sterling/ USD £000	Decrease Sterling/ USD £000
Increase/(decrease) in net assets 31 December 2024	(2,090)	2,555	505	(617)
Increase/(decrease) in net assets 31 December 2023	(1,408)	1,721	(113)	138

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 converted into cash.

The Finance Committee oversees the management of liquidity risk. The Company's investment portfolio comprises high quality government and corporate bonds that can be readily converted into cash in a prompt fashion and with minimal expense. The Company has no external debt and has access to the financial support of its financially strong parent company. 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:

	Total	0 - 1 year	2 - 5 years	More than
	£000	£000	£000	5 years
2024				£000
Technical provisions	1,508,192	716,643	659,213	132,336
Creditors	63,084	63,084	-	-
Total	<u>1,571,276</u>	<u>779,727</u>	<u>659,213</u>	<u>132,336</u>
	Total	0 - 1 year	2 - 5 years	More than
	£000	£000	£000	5 years
2023				£000
Technical provisions	1,438,781	682,463	627,957	128,361
Creditors	77,096	77,096	-	-
Total	<u>1,515,877</u>	<u>759,559</u>	<u>627,957</u>	<u>128,361</u>

Capital management

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

- to protect its ability to continue as a going concern and thus to protect its policyholders;
- to enable an appropriate return to the Group's shareholders by allocating appropriate amounts of capital to its products commensurate with the risks taken; and
- to comply with its regulatory capital requirements.

The Company's capital comprises share capital, retained earnings and fair value reserves. For internal modelling purposes the Company treats its available capital as being its shareholder's equity, less capital pledged to support the capital needs of affiliates. As at 31 December 2024 available capital on this basis comprised £789.0m (2023 £699.1m).

The Company is subject to capital requirements set by both its regulator and rating agencies. The insurance company capital regime in the UK is on a Solvency UK 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 2024, the Company's regulatory solvency capital requirement was £497.0m (2023 £489.5m).

During the year the Company was in full compliance with the capital requirements set by its prudential regulator, the Prudential Regulation Authority. There were no changes in the Company's approach to capital risk management during the current or prior year.

The Company's financial strength rating with A.M. Best is A++ (superior).

Notes to the financial statements *(continued)*

5 Continuing and run-off operations

The Company manages the business by separating out the operations in run-off. None of the run-off operations met the FRS 102 definition of discontinued operations in the year.

The run-off business in its former branch operations in Ireland, Netherlands, France and Germany was transferred to TIDAC via a business transfer scheme under Part VII of the Financial Services and Markets Act 2000 as of 1 October 2019. 80% has been reinsured back to the Company under a quota share reinsurance agreement.

On 28 February 2019, all of the business of Travelers Casualty and Surety Company of Europe Limited, an affiliated group company, was transferred to the Company via a business transfer scheme under Part VII of the Financial Services and Markets Act 2000. Included in that transfer was the Specialty run-off business that went into run-off in 2002. The Specialty business is 100% reinsured with the fellow group company, The Travelers Indemnity Company.

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

	2024		2023	
	Continuing operations £000	Run-off operations £000	Continuing operations £000	Run-off operations £000
Net premiums written	432,558	2	443,145	2
Net premiums earned	438,601	2	438,878	4
Allocated investment return	44,927	-	33,218	-
	<u>483,528</u>	<u>2</u>	<u>472,096</u>	<u>4</u>
Claims paid - gross amount	(214,290)	10	(172,441)	(2,076)
Claims paid - reinsurers' amount	43,007	(4)	16,379	11
Change in provisions for claims - gross amount	(82,847)	(205)	(167,806)	18,718
Change in provisions for claims - reinsurers' amount	2,871	4	54,885	(16,595)
Claims incurred, net of reinsurance	<u>(251,259)</u>	<u>(195)</u>	<u>(268,983)</u>	<u>58</u>
Net operating expenses	(154,835)	(169)	(140,234)	(159)
Balance on the technical account	<u>77,434</u>	<u>(362)</u>	<u>62,879</u>	<u>(97)</u>
Investment income	57,418	-	39,908	-
Investment expenses and charges	<u>(12,491)</u>	<u>-</u>	<u>(6,690)</u>	<u>-</u>
	44,927	-	33,218	-
Allocated investment return transferred to the general business technical account	(44,927)	-	(33,218)	-
Other (expenses)/income	<u>(2,579)</u>	<u>2,440</u>	<u>(1,417)</u>	<u>1,121</u>
Profit on ordinary activities before tax	<u>74,855</u>	<u>2,078</u>	<u>61,462</u>	<u>1,024</u>

Notes to the financial statements *(continued)*

6 Analysis of underwriting result

(a) Analysis of gross premiums written

	2024	2023
	£000	£000
Resulting from contracts concluded by the Company :		
Direct	385,560	356,205
Inwards reinsurance	129,121	160,644
	<u>514,681</u>	<u>516,849</u>

The inwards reinsurance predominantly relates to the whole account quota share agreement between the Company and TIDAC.

(b) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses, reinsurance balance and underwriting profit/(loss)

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Underwriting profit/(loss) £000
2024						
Credit and Suretyship	12,081	11,047	(9,014)	(4,019)	3,069	1,083
Fire and other damage to property	192,303	193,390	(88,831)	(61,491)	(32,791)	10,277
Marine and aviation	32,345	28,514	(25,319)	(11,655)	6,627	(1,833)
Motor	21,816	19,901	(14,271)	(6,605)	(1,862)	(2,837)
Third party liability	255,775	268,617	(159,496)	(81,689)	(1,766)	25,666
Miscellaneous	361	312	(401)	(178)	56	(211)
	<u>514,681</u>	<u>521,781</u>	<u>(297,332)</u>	<u>(165,637)</u>	<u>(26,667)</u>	<u>32,145</u>
2023						
Credit and Suretyship	9,247	8,992	(37,957)	(3,308)	33,114	841
Fire and other damage to property	186,315	176,333	(81,533)	(54,568)	(11,989)	28,243
Marine and aviation	19,491	24,844	(7,509)	(12,226)	(2,635)	2,474
Motor	18,252	18,348	(22,246)	(5,665)	(1,624)	(11,187)
Third party liability	282,517	280,069	(173,441)	(73,213)	(23,372)	10,043
Miscellaneous	1,027	915	(919)	(1,113)	267	(850)
	<u>516,849</u>	<u>509,501</u>	<u>(323,605)</u>	<u>(150,093)</u>	<u>(6,239)</u>	<u>29,564</u>

Gross commission payable amounted to £77.4m (2023 £75.0m).

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

Notes to the financial statements *(continued)*

7 Prior years' claims provisions

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

	2024 £000	2023 £000
Fire and other damage to property	14,580	12,710
Marine and aviation	(850)	3,225
Motor	2,258	(8,573)
Third party liability	7,162	(28,061)
Miscellaneous	(384)	(432)
	<u>22,766</u>	<u>(21,131)</u>

8 Investment income

	2024 £000	2023 £000
Income from investments	54,995	38,890
Gains on the realisation of investments	2,423	1,018
	<u>57,418</u>	<u>39,908</u>

9 Net operating expenses

	2024 £000	2023 £000
Acquisition costs	77,410	75,021
Change in gross deferred acquisition costs	(958)	(1,963)
	<u>76,452</u>	<u>73,058</u>
Administrative expenses	89,185	77,035
Gross operating expenses	<u>165,637</u>	<u>150,093</u>
Reinsurance commissions and profit participation	(11,156)	(10,547)
Change in deferred reinsurance commission	523	847
	<u>155,004</u>	<u>140,393</u>

10 Investment expenses and charges

	2024 £000	2023 £000
Investment management expenses	1,370	1,181
Losses on the realisation of investments	11,121	5,509
	<u>12,491</u>	<u>6,690</u>

11 Other expenses

	2024 £000	2023 £000
Foreign exchange loss	(1,671)	(1,068)
Fee income	95	187
Other income	1,437	585
	<u>(139)</u>	<u>(296)</u>

Notes to the financial statements *(continued)***12 Profit on ordinary activities before tax**

	2024	2023
	£000	£000
<i>Profit on ordinary activities before tax is stated after crediting</i>		
Income from fixed income investments	54,995	38,890
<i>after charging</i>		
Audit of these financial statements	302	277
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit-related assurance services	157	153

13 Remuneration of directors

	2024	2023
	£000	£000
Directors' fees	108	104
Directors' emoluments	915	684
Company contributions to money purchase schemes	10	7
Gains on share options exercised	143	179

The salary and bonus of the highest paid director for the year was £649,630 (2023 £533,268) and the pension contribution to a money purchase scheme was £5,000 (2023 £4,250). Share options were exercised in 2024 (were exercised in 2023).

Retirement benefits are accruing to the following number of directors:	2024	2023
Money purchase schemes	2	2
Defined benefit schemes	-	-
The number of directors who exercised share options was	1	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	-

All UK executive and non-executive Directors remuneration were paid for by the group service company, Travelers Management Limited.

Notes to the financial statements (continued)**14 Taxation***Analysis of total tax charge for the year**(a) Tax included in the non-technical account*

	2024	2023
	£000	£000
United Kingdom Corporation Tax		
United Kingdom Corporation Tax at 25% (2023 23.5%)	8,826	6,697
Adjustment in respect of prior periods	6	1,871
Total current tax charge	<u>8,832</u>	<u>8,568</u>
Deferred tax		
Deferred tax charge	10,076	5,925
Changes in tax rate	-	(558)
Tax charge on profit on ordinary activities	<u>18,908</u>	<u>13,935</u>

	2024	2023
	£000	£000
<i>(b) Tax included in Other Comprehensive Income</i>		
Deferred tax:		
Charge on unrealised gains on investments	4,251	15,124
Tax charge on Other Comprehensive Income	<u>4,251</u>	<u>15,124</u>

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

The tax charge for the year is lower than (2023 lower than) the standard rate of corporation tax in the UK:

	2024	2023
	£000	£000
Profit on ordinary activities before tax	<u>76,933</u>	<u>62,486</u>
Tax using the corporation tax rate of 25% (2023 23.5%)	19,234	14,685
Effect of tax rate change	-	(56)
Adjustment in respect of prior periods - current tax	6	1,871
Adjustment in respect of prior periods - deferred tax	-	(2,447)
Non-taxable income	(332)	(118)
Total tax charge	<u>18,908</u>	<u>13,935</u>

As at 31 December 2024 the Company had tax losses carried forward of £23.2m (2023 £63.5m) which have been fully recognised at the year end. Further information can be seen in note 20.

The Organization for Economic Cooperation and Development (OECD) has developed guidance known as base erosion and profit shifting (BEPS) as part of its initiative to address corporate tax planning strategies used by some multinationals to shift profits from higher-tax jurisdictions to lower-tax jurisdictions or no-tax locations. This guidance generally imposes rules with a global minimum tax of 15%, which was effective in 2024 for several of the jurisdictions in which the ultimate parent entity and its subsidiaries operates.

The Company does not expect to be subject to any minimum top up taxes imposed by these rules in 2024.

Notes to the financial statements *(continued)*

15 Investment in group undertaking

The following table gives information on the Company's investment in TIDAC as at 31 December 2024:

	2024 £000	2023 £000
Cost	114,628	114,628
Net assets	123,833	123,066
Class of shares held	Ordinary	Ordinary

The registered address of TIDAC is 3rd Floor, Block 8, Harcourt Centre, Charlotte Way, Dublin 2, Ireland.

There is no accumulated impairment recognised in the investment in group undertaking.

16 Investments

(a) Fair value

	Fair Value 2024 £000	Fair Value 2023 £000	Cost 2024 £000	Cost 2023 £000
Debt and other fixed income securities	1,801,790	1,678,014	1,861,184	1,754,412
Included in debt and other fixed income securities:				
UK fixed income securities	202,869	323,357	212,113	338,537
Overseas fixed income securities	1,598,921	1,354,657	1,649,071	1,415,875
	<u>1,801,790</u>	<u>1,678,014</u>	<u>1,861,184</u>	<u>1,754,412</u>

(b) Movement in the year

	2024 £000	2023 £000
Investments brought forward	1,678,014	1,439,235
Purchases	644,792	465,514
Fair value adjustments	17,010	60,974
Disposals/maturities	(534,198)	(280,724)
Currency translation movements	(3,828)	(6,985)
Investments carried forward	<u>1,801,790</u>	<u>1,678,014</u>

Notes to the financial statements (continued)

16 Investments (continued)

(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 has the ability to access;
- 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; or
- 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.

The Company utilised a pricing service to estimate the fair value of its investments at both 31 December 2024 and 31 December 2023.

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

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

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets as at 31 December 2024	-	1,801,790	-	1,801,790
Financial assets as at 31 December 2023	-	1,678,014	-	1,678,014

17 Debtors arising out of insurance operations

	2024 £000	2023 £000
Amounts owed by intermediaries	98,903	99,538
	<u>98,903</u>	<u>99,538</u>

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.

Notes to the financial statements *(continued)*
18 Debtors arising out of reinsurance operations

	2024	2023
	£000	£000
Amounts owed by reinsurers	<u>6,603</u>	<u>5,991</u>

19 Other debtors

	2024	2023
	£000	£000
Amounts owed by group undertakings	11,406	16,146
Corporation tax recoverable	15,580	6,300
Other debtors	235	271
	<u>27,221</u>	<u>22,717</u>

20 Deferred tax asset

The amounts provided for deferred taxation are set out below:

	Tax losses carried forward	Unrealised losses on investments	Total net deferred tax
	£000	£000	£000
2024			
Deferred tax asset brought forward	15,882	19,099	34,981
Current year profit and loss	(10,076)	-	(10,076)
Prior year profit and loss adjustments	-	-	-
Other comprehensive income	-	(4,251)	(4,251)
Impact of changes in tax rate	-	-	-
	<u>5,806</u>	<u>14,848</u>	<u>20,654</u>
2023			
Deferred tax asset brought forward	21,249	34,223	55,472
Current year profit and loss	(8,373)	-	(8,373)
Prior year profit and loss adjustments	2,448	-	2,448
Other comprehensive income	-	(15,243)	(15,243)
Impact of changes in tax rate	558	119	677
	<u>15,882</u>	<u>19,099</u>	<u>34,981</u>

The tax losses carried forward have no time limit. There were no amounts that were unprovided for in the year (2023 £nil). The net reversal of deferred tax expected to occur next year is £5.8m (2023 £11.2m), relating to the utilisation of tax losses carried forward of £23.2m (2023 £45.0m).

Notes to the financial statements *(continued)*

21 Called up share capital

	2024	2023
	£000	£000
<i>Allotted, called up and fully paid</i>		
392,055,368 (2023 392,055,368) ordinary shares of £1 each	<u>392,055</u>	<u>392,055</u>

22 Technical provisions and deferred acquisition costs

<i>(a) Unearned premium provision</i>	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	2024	2024	2024	2023	2023	2023
	£000	£000	£000	£000	£000	£000
Balance as at 1 January	271,606	33,379	238,227	265,679	31,019	234,660
Change in unearned premiums	(7,100)	(1,057)	(6,043)	7,348	3,083	4,265
Effect of movements in exchange rates	(928)	130	(1,058)	(1,421)	(723)	(698)
Balance as at 31 December	<u>263,578</u>	<u>32,452</u>	<u>231,126</u>	<u>271,606</u>	<u>33,379</u>	<u>238,227</u>

<i>(b) Claims outstanding</i>	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	2024	2024	2024	2023	2023	2023
	£000	£000	£000	£000	£000	£000
Balance as at 1 January	1,167,175	157,427	1,009,748	1,024,544	121,096	903,448
Change in claims outstanding	83,052	2,875	80,177	149,088	38,290	110,798
Effect of movements in exchange rates	(5,613)	519	(6,132)	(6,457)	(1,959)	(4,498)
Balance as at 31 December	<u>1,244,614</u>	<u>160,821</u>	<u>1,083,793</u>	<u>1,167,175</u>	<u>157,427</u>	<u>1,009,748</u>

Claims notified	339,043	64,635	274,408	386,452	92,406	294,046
Claims incurred but not reported	874,202	95,901	778,301	751,171	64,859	686,312
Unallocated loss adjustment expenses	31,369	285	31,084	29,552	162	29,390
Balance as at 31 December	<u>1,244,614</u>	<u>160,821</u>	<u>1,083,793</u>	<u>1,167,175</u>	<u>157,427</u>	<u>1,009,748</u>

<i>(c) Deferred acquisition costs</i>	2024	2023
	£000	£000
Gross		
At the start of the year	(34,528)	(32,770)
Movement in provision	(958)	(1,963)
Currency translation differences	237	205
At the end of the year	<u>(35,249)</u>	<u>(34,528)</u>

	2024	2023
	£000	£000
Reinsurance amount		
At the start of the year	4,529	3,792
Movement in provision	523	847
Currency translation differences	29	(110)
At the end of the year	<u>5,081</u>	<u>4,529</u>

23 Analysis of insurance claims provisions

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 2024.

Gross loss development table												
Accident year	All prior years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current estimate of gross ultimate claims												
At end of accident year	-	154,681	134,696	112,752	159,036	173,639	241,691	232,459	307,668	304,347	311,098	2,132,067
One year later	-	217,939	137,818	164,288	169,450	188,307	237,352	241,241	340,433	327,553	-	2,024,381
Two years later	-	199,163	143,433	161,015	164,554	180,042	200,063	248,258	332,593	-	-	1,629,121
Three years later	-	186,202	139,668	156,480	174,996	181,997	207,577	227,622	-	-	-	1,274,542
Four years later	-	185,455	140,161	147,907	195,777	191,567	202,456	-	-	-	-	1,063,323
Five years later	-	177,998	137,967	147,554	171,329	184,441	-	-	-	-	-	819,289
Six years later	-	168,269	131,917	155,805	163,709	-	-	-	-	-	-	619,700
Seven years later	-	165,218	133,304	157,161	-	-	-	-	-	-	-	455,683
Eight years later	-	165,952	130,523	-	-	-	-	-	-	-	-	296,475
Nine years later	-	165,196	-	-	-	-	-	-	-	-	-	165,196
Estimate of gross ultimate claims	-	165,196	130,523	157,161	163,709	184,441	202,456	227,622	332,593	327,553	311,098	2,202,352
Cumulative claims payments to date		(154,221)	(118,781)	(129,305)	(111,525)	(129,124)	(112,796)	(102,407)	(138,143)	(86,577)	(33,475)	(1,116,354)
Claims liability outstanding	127,247	10,975	11,742	27,856	52,184	55,317	89,660	125,215	194,450	240,976	277,623	1,213,245
Unallocated loss adjustment expenses												31,369
Gross claims outstanding												1,244,614
Net loss development table												
Accident year	All prior years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current estimate of net ultimate claims												
At end of accident year	-	109,205	118,279	108,395	126,775	147,519	218,877	213,334	245,946	233,904	262,917	1,785,151
One year later	-	167,031	120,995	112,320	154,785	183,647	226,021	223,181	275,532	258,880	-	1,722,392
Two years later	-	146,877	127,671	109,341	138,069	172,918	181,250	228,066	268,588	-	-	1,372,780
Three years later	-	151,229	123,722	110,815	158,854	171,017	190,166	212,644	-	-	-	1,118,447
Four years later	-	150,582	126,801	101,692	167,273	181,051	184,172	-	-	-	-	911,571
Five years later	-	144,882	123,690	100,063	144,111	175,552	-	-	-	-	-	688,298
Six years later	-	136,321	115,862	108,639	134,264	-	-	-	-	-	-	495,086
Seven years later	-	133,667	117,553	109,345	-	-	-	-	-	-	-	360,565
Eight years later	-	134,292	115,220	-	-	-	-	-	-	-	-	249,512
Nine years later	-	133,899	-	-	-	-	-	-	-	-	-	133,899
Estimate of net ultimate claims	-	133,899	115,220	109,345	134,264	175,552	184,172	212,644	268,588	258,880	262,917	1,855,481

Notes to the financial statements *(continued)*

24 Creditors arising out of direct insurance operations

	2024 £000	2023 £000
Amounts owed to intermediaries	6,268	7,487
Amounts owed to policyholders	708	325
	<u>6,976</u>	<u>7,812</u>

25 Other creditors including taxation and social security

	2024 £000	2023 £000
Insurance premium taxes	11,465	11,864
Amounts owed to group undertakings	19,973	26,946
	<u>31,438</u>	<u>38,810</u>

26 Accruals and deferred income

	2024 £000	2023 £000
Reinsurers' share of deferred acquisition costs	5,081	4,530
Accrued expenses	5,402	2,011
	<u>10,483</u>	<u>6,541</u>

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

28 Commitments and contingent liabilities

In the normal course of business, letters of credit to the value of \$75.0k (2023 \$75.0k) have been issued to fiscal authorities against insurance tax liabilities. These are secured against bank deposits.

On establishment of TIDAC, a collateral arrangement was put in place between the Company and TIDAC to support the reinsurance agreement. The arrangement requires that the premium paid to the Company by TIDAC be held within an escrow account for a period of at least 2 years before it can be released. Claims paid relating to this reinsurance arrangement can be funded from the collateral account. The funds held within the collateral account at the year end were £393.7m (2023 £371.3m). These funds are reported within other financial investments.

The Company has also guaranteed the lease commitments of an affiliated company relating to the two main operating premises in the United Kingdom of £607.7k and £2.0m per annum. These leases expire in 2027 and 2029 respectively.

Acting as a third-party depositor under a trust deed executed in 2013, the Company had deposited fixed income securities with Lloyd's as security for the underwriting activities of its affiliate companies, Aprilgrange Limited and F&G UK Underwriters Limited. On 19 June 2024, these securities were returned in full (2023 £19.1m). The fees attaching to this security earned by the Company were £0.1m (2023 £0.2m).

The Company has secured licences to write business on a surplus lines basis in the United States of America. As a condition of the grant of these licences the Company has deposited \$12.8m (2023 \$7.2m) into a trust fund. These funds are reported within other financial investments.

Letters of credit to the value of \$2.6m (2023 \$2.0m) have been issued to the Society & Council of Lloyd's against insurance liabilities.

Notes to the financial statements *(continued)***28 Commitments and contingent liabilities** *(continued)*

Travelers has a pension scheme in the UK providing benefits based on final pensionable pay. This scheme was closed with effect from 1 April 2003. Travelers Management Limited bears responsibility for meeting any funding requirements of this scheme. In the event that Travelers Management Limited was not able to fulfil its obligations this responsibility would fall to the Company. The updated valuation for FRS 102 purposes as at 31 December 2024 identified a surplus of £13.8m (2023 surplus of £11.4m).

29 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 the Company's registered office, 30 Fenchurch Street, London, EC3M 3BD, or the Company's website: www.travelers.co.uk.

30 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 subsidiaries 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.

Independent auditor's report to the member of Travelers Insurance Company Limited

Opinion

We have audited the financial statements of Travelers Insurance Company Limited (the 'company') for the year ended 31 December 2024 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) 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 the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, 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:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the process relating to the directors' going concern assessment and the period of assessment considered by them;
- Challenging the appropriateness of the directors' key assumptions in their future performance forecasts extending at least 12 months from the date of approval of financial statements, as described in note 1 to the financial statements, by reviewing supporting evidence and performing independent stress testing in relation to these key assumptions.

- Considering the directors' assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios, which have been derived from the company's Own Risk and Solvency Assessment;
- Conducting a retrospective review of the historical forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 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) we identified, 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 matter in forming our opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p>Valuation of Gross claims incurred but not reported reserves ("Gross claims IBNR")</p> <p>Gross claims IBNR - £874,202k (2023 - £751,171k)</p> <p><i>Refer to Note 2 "Significant accounting policies – Claims outstanding", Note 3 "Use of critical judgements, assumptions and estimates", and Note 22 "Technical Provisions and Deferred Acquisition Costs"</i></p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Met with the company's actuarial team involved in the reserving process to discuss the reserving methodology, changes in assumptions from the previous year-end, and the governance over the reserving process. • Evaluated the design and implementation of actuarial reserving controls. • Performed data integrity testing and confirmed that the data used in the reserving models is consistent with the audit work

<p>The valuation of provisions for outstanding claims, specifically for incurred but not reported claims (IBNR), is highly judgmental and complex, and involves a number of assumptions that have high estimation uncertainty (such as expected loss ratios, estimates of frequency and severity of claims by territory and line of business) with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>Certain lines of business have greater inherent uncertainty, including for example those relating to lines of business with long settlement periods, or on classes where there is greater variability in claim settlement amounts.</p> <p>A margin is applied over and above the actuarial best estimate of claims outstanding to make allowance for specific risks identified in the best estimate. The appropriate margin to recognize a subjective judgement and estimate taken by the Company, based on the perceived uncertainty and potential for volatility in the underlying claims.</p> <p>Given the level of subjectivity and judgement, there is a risk that inappropriate reserve projections are made, and we therefore identified the valuation of gross claims IBNR as a significant risk and a key audit matter.</p>	<p>performed over premiums, claims paid and case reserves.</p> <p>With the support of our own actuarial specialists, we have:</p> <ul style="list-style-type: none"> • Performed independent projections on the interim period balances as at 30 June 2024 of selected classes of business, covering those classes that are considered most material and have the highest estimation uncertainty and compared the results with the reserves recorded by the Company both at a class and aggregate level. • Challenged actuarial methodologies and compared them against recognised actuarial practices. • Challenged assumptions used in the valuation of IBNR for classes with high estimation uncertainty but which are less material. This included performing a combination of benchmarking the Company's assumptions against those used in the market for similar lines of business, conducting diagnostic tests to identify trends and challenge the Company's methodology and recalculating the Company's estimates to ensure computational accuracy. • Analysed movements in ultimate losses and actual vs. expected analyses for the remaining classes of business. • Conducted roll-forward procedures to Q4 2024 on the independently projected classes by analysing actual experience; and. • Evaluated the appropriateness of the margin to be applied to the actuarial best estimate by considering the allowance for uncertainties inherent in the data and assumptions used in the estimate. <p>Our observations</p> <p>Based on these procedures, we found that the valuation of gross claims IBNR to be reasonable.</p>
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Our application of materiality and an overview of the scope of our audit

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 (£000):

Overall materiality	£5,147 (2023: £5,168)
How we determined it	1% of Total Gross Written Premiums (2023: 1% of Total Gross Written Premiums)
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant, and concluded that gross written premiums was the most relevant benchmark. Gross written premiums is a key measure used by the shareholders in assessing the performance of the company and provides a consistent and stable basis on which to determine materiality.
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.</p> <p>We set performance materiality at £3,603 (2023: £3,618), which represents 70% of overall materiality.</p> <p>The primary factors we considered in determining the level of performance materiality include our understanding of the company's control environment; the level and nature of errors detected in previous audits and our expectation of the number of errors in the current year audit.</p>
Reporting threshold	We agreed with the audit committee that we would report to them misstatements identified during our audit above £257 (2023: £258) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 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 our risk assessment, our understanding of the company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

The Company utilises certain operational shared service centers managed centrally by its ultimate parent company in the US. This includes shared services such as investment management and the performance of certain financial control activities to support the production of the company's financial information including IT functionality and controls. Specified audit procedures were performed by a US-based shared-service organisation auditor over these shared service centers in accordance with our instructions.

We determined the level of involvement we needed as the company's auditor in the audit work of the shared-service organisation auditors to be able to conclude whether sufficient and appropriate audit evidence was obtained to provide a basis for our opinion on the financial statements as a whole. We maintained regular and timely communication with the shared-service organisation auditors, including discussions, phone calls and written instructions, and reviewed their work, where appropriate.

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report of the Directors and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report of the Directors and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report of the Directors or the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 the directors either intend to liquidate the company or to cease operations, or have 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 auditor's 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 (UK) 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and the insurance sector in which it operates, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: non-compliance with the Prudential Regulation Authority's ("PRA") and Financial Conduct Authority's ("FCA") regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- At the planning stage of our audit, gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA, the FCA and the HMRC;
- Reviewing minutes of directors' meetings in the year and up to the date of issue of the audit report; and

- Consideration by the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks were related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of gross claims IBNR, the presumed risk of fraud in revenue recognition, recoverability of DTA and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors, management and those charged with governance whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Critically assessing accounting estimates impacting amounts included in the financial statements for evidence of management bias;
- Considering significant transactions outside of the normal course of business. Our approach included reviewing Board minutes, review of correspondences of regulators, and substantively testing the transaction where considered material;
- Reviewing a risk based selection of journals based on what we consider as high-risk criteria and testing these against supporting documentation and obtaining management explanations;
- Incorporating an element of unpredictability in performing substantive procedures on account balances/assertions not otherwise tested due to materiality; and
- Performing the work set out under 'Key audit matters' within this report over the valuation of the Gross claims IBNR.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 12 July 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2021 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member 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 member as a body for our audit work, for this report, or for the opinions we have formed.

Andrew Heffron (Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

3 April 2025