TOKIO MILLENNIUM RE (UK) LIMITED

REGISTERED IN ENGLAND AND WALES NO. 02553288
A MEMBER OF TOKIO MARINE HOLDINGS, INC. (JAPAN)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

EXECUTIVE DIRECTOR

Mark James Phillip Julian

NON-EXECUTIVE DIRECTORS

David John Finch
Clemens Anton Theodor Wolf von Bechtolsheim
Ken Hatakeyama
Maurice Stephen Kane

REGISTERED OFFICE

5th Floor
20 Fenchurch Street
London EC3M 3BY
United Kingdom

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT
United Kingdom

PRINCIPAL BANKERS

HSBC Bank plc
1st Floor
60 Queen Victoria Street
London EC4N 4TR
United Kingdom

Business Model

Tokio Millennium Re (UK) Limited ("The Company") underwrote non-life insurance/reinsurance risks until 30 June 2015. From 1 July 2015, it ceased underwriting, with all new and renewed risks being underwritten by its fellow-subsidiary, Tokio Millennium Re AG UK Branch ("TMR AG's UK Branch" or "UK Branch").

This restructure achieved two objectives for the Tokio Millennium Re group ("TMR AG"). The first improved the capital backing on offer to our customers, with TMR AG’s larger balance sheet in comparison with TMRUK Ltd’s, the former of which is also backed by a parental guarantee for TMR AG’s cedants further underscoring our security. The second enhanced our overall capital efficiency.

Business Review

Strategy and Objectives

The Company's strategy is to safeguard the business of its clients. To achieve this, its objectives are to:

- Maintain a sound financial footing. Clients can rely on the Company to hold sufficient capital to cover all claims underwritten. The Company also has an unconditional and irrevocable guarantee from its immediate parent in Japan.
- Ensure a highly accurate evaluation and analysis of the potential hazards faced by its clients. The Company uses proprietary and innovative risk modelling techniques, based on Tokio Marine’s longstanding underwriting experience since its establishment in 1879.

Results and Performance

The results for the financial year are set out on pages 12 and 13. The Company generated a post-tax profit of £6.7 million (2016 post-tax loss: £(1.8) million) during the financial year. Net assets stood at £204.5 million (2016: £197.3 million) at the end of the financial year.

On 22 September 2017, Tokio Millennium Re (UK) Ltd agreed the sale of its wholly owned subsidiary, Tokio Marine Technologies LLC, to the ultimate parent Tokio Marine Holdings Inc, for a consideration of £3.3 million.

Future Outlook

As part of the overall harmonisation within the Tokio Millennium Re group, the Company's renewal rights on its treaty portfolio were transferred on 1 July 2015 to its fellow subsidiary, TMR AG's UK Branch. In line with this, the Company plans to also transfer the run-off treaty portfolio to the new UK Branch through a Part VII FSMA 2000 process, although this is subject to further reviews, regulatory and court approvals.

The renewal rights on its direct and facultative portfolio were transferred on 1 January 2011 to Syndicate 1880 managed by Tokio Marine Kiln Syndicates Limited. The run-off of this portfolio will continue to be managed by the Company until an exit strategy is formulated.

In March 2017, the UK Government invoked Article 50 formally commencing the process for the United Kingdom to leave the European Union ("Brexit"). The Company is monitoring the ongoing Brexit negotiations and is implementing a contingency plan should it be required.

Principal Risks and Uncertainties

Overall organisational risks

The risk management function oversees the management of all organisational risks and continues to enhance the mechanisms used to identify, quantify and manage accumulated exposures within the limits of the Company's risk appetite. The steering of the overall risk strategy is directed by the Board of Directors.

General insurance risk

General insurance risk arises from:

- fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- unexpected claims arising from a single source;
- inadequate claims reserves; and
- inadequate reinsurance protection.

The adequacy of the Company's general insurance reserves is reviewed by the Reserving Committee and approved by the Board of Directors. For comparison purposes, the reserves are also independently re-projected by an independent firm of actuaries.

Financial risk

Financial risk arises through the Company's holdings in financial assets, financial liabilities, insurance/reinsurance assets and policyholder/cedant liabilities. The key financial risk is that proceeds from financial assets are insufficient to fund obligations arising from policies as they fall due. The most important components of financial risk are: interest rate risk; currency risk; credit risk; and liquidity risk.

The Company adopts the Tokio Marine group-wide Enterprise Risk Management framework which is tailored and used as a guide to measure, monitor and control all risks inherent in the business, including those relating to financial risk - by ensuring these remain within its risk appetite limits. This system establishes acceptable levels of measurable risks and ensures the sufficiency of equity in light of those risks. Risk amounts are monitored to ensure these are maintained within permissible ranges based on the Company's economic capital model and are reported to the Board of Directors on a periodic basis within the Own Risk and Solvency Assessment ("ORSA") document.

The Company does not use hedge accounting to manage risks. Instead, it manages risks by calculating the value-at-risk for major asset components, and the tail value-at-risk for major liability components in the Balance Sheet. The value-at-risk is an indicator - at a given confidence interval - of the worst loss expected to be suffered over a specified duration from the measurement date. The tail value-at-risk, on the other hand, measures the loss expected to be suffered once the given confidence interval is breached.

Interest rate risk

Interest rate risk arises primarily from the Company's investment portfolio which comprise debt securities, money market funds and cash deposits. To the extent that claims inflation is correlated with interest rates, liabilities to policyholders/cedants are also exposed to interest rate risk.

The Company monitors interest rate risk by calculating the value-at-risk, average maturity and average duration of its investment portfolio. These indicators measure the sensitivity of assets and liabilities to changes in current interest rates. There is currently minimal interest rate risk exposure on assets as these are principally short-to-medium term in duration.

Currency risk

The Company is exposed to currency risk in respect of policyholder/cedant liabilities which are denominated in currencies other than GBP. The Company seeks to mitigate currency risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Principal Risks and Uncertainties (continued)

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- exposure to investments in debt securities, money market funds and cash deposits;
- reinsurers' share of insurance/reinsurance claim reserve liabilities;
- claim recovery amounts due from reinsurers in respect of claims already paid;
- premium amounts due from insurance/reinsurance policyholders/cedants; and
- premium amounts due from insurance/reinsurance intermediaries.

The Company monitors its exposure to a single counterparty, or groups of related counterparties, and to territorial and industry segments.

There is no significant credit risk in respect of reinsurers as the Company's reinsurers are the Tokio Marine group companies.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. In order to meet such calls, the Board sets minimum limits on the maintenance of cash deposits and investments.

Key Performance Indicators

Key performance indicators	2017 £000	2016 £000	Movement during the financial year
Earned premium	2,640	79,264	The underwriting result for the year was driven by favourable reserve releases across several lines of business.
Underwriting profit/(loss)	7,327	(9,115)	
Net combined ratio	(177.5%)	111.5%	
Investment return	1,693	4,216	Investment yield has decreased from prior year as the portfolio was impacted by a lower yield environment.
Investments/cash deposits	410,072	454,124	
Investment yield	0.4%	0.9%	
Investments/cash deposits	410,072	454,124	There continues to be a healthy composition of investments and cash deposits within total assets.
Total assets	431,466	496,596	
Investments/cash deposits composition	95.1%	91.4%	
Pre-tax profit/(loss)	8,069	(2,177)	Return on equity has improved as a result of favourable reserve releases across several lines of business.
Opening shareholder's equity	197,257	201,588	
Return on equity	4.1%	(1.1)%	

Mark Julian
Director

March 2018

Directors and Their Interests

The following individuals served as directors during the financial year, and up to the approval date of this report:

Names	Appointed	Resigned
David John Finch	Prior to 1 January 2017	-
Mark James Phillip Julian	Prior to 1 January 2017	-
Clemens Anton Theodor Wolf von Bechtolsheim	Prior to 1 January 2017	-
Ken Hatakeyama	16/05/2017	-
Maurice Stephen Kane	16/05/2017	-
Toshiaki Suzuki	Prior to 1 January 2017	01/04/2017
Stephan Ruoff	Prior to 1 January 2017	01/06/2017

Political Donations

The Company made no political donations during the year (2016: £nil).

Directors' Indemnification

All TMRUK's directors benefited from qualifying third party indemnity provisions by way of Directors' and Officers' Insurance, limited to £10 million (2016: £10 million) in the aggregate including costs and expenses, plus £1 million additional (2016: £1 million) for every Non-Executive Director. Coverage was in place during the financial year and remains so at the approval date of this report.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Future Outlook

The main features of the Company's future development can be found in the Strategic Report. The future development forms part of this Directors' Report and is incorporated into it by cross-reference.

Dividends Paid and Declared

During the year, an interim dividend of £nil (2016: £nil) was paid, amounting to 0p (2016: 0p) per ordinary share. No dividends are proposed (2016: £nil).

Financial Instruments

The financial risk management objectives and policies for the Company can be found within the Strategic Report, with details of exposure being found in Note 1. Financial risk management objectives and policies form part of this Directors' Report and is incorporated into it by cross reference.

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards under Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland for entities issuing insurance contracts" ("FRS 103") have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in the preparation of the financial statements.

Statement of Information Disclosure to Auditors

Each of the persons who is a director at the date of this report confirms that:

- So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2017 of which the auditors are unaware; and
- The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Mark Julian
Director

March 2018

Independent auditors' report to the members of Tokio Millennium Re(UK) Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Tokio Millennium Re(UK) Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

- Overall materiality: £4.3 million, based on 1% of Total Assets.

- We performed full scope audit procedures over all operations in the UK.

- Appropriateness of methodologies and assumptions applied in the valuation of claims incurred but not reported (IBNR) component of claims outstanding.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006, the Prudential Regulation Authority's regulations and the UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, enquiries of management and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Appropriateness of methodologies and assumptions applied in the valuation of claims incurred but not reported (IBNR) component of claims outstanding *See "statement of accounting policies – section h" and note 1 (c) of the financial statements for disclosures of related accounting policies, judgments and estimates.* The IBNR component of claims outstanding are a material estimate in the financial statements and their valuation involves a significant degree of judgement. The gross claims outstanding reserves are £219,665k (net £217,973k) of which the IBNR component is £76,969k. Management exercises significant judgement in respect of the trends in bodily injury claims frequency and severity, the speed of recognition of emerging data and trends, the propensity for large claims to settle as periodic payment orders ("PPOs"), The main areas of focus include: • The use of appropriate reserving methodologies and assumptions and the consistency of their application from year to year; • Appropriateness of yield curves, ASHE assumptions, Ogden rate for calculating large bodily injury claims reserves and PPO propensity assumptions; and • Prior year developments and the appropriateness of prior year estimates.	Our work to assess the appropriateness of the methodologies and assumptions applied in the valuation of the claims IBNR was supported by our in-house non-life actuarial specialists, and included the following procedures: • We assessed and tested the governance process in place to determine the methodologies and assumptions setting. • We performed methodology and assumptions reviews over 82% of the claims IBNR and key indicator checks to identify any anomalies over the remaining balance. • Key assumptions used by management include the PPO propensity assumptions, assumptions on credibility given to Actual Vs Expected experience, yield curves, ASHE inflation. We have assessed these assumptions for reasonableness, through analytical procedures including claims development trends over time, as well as consistency with prior periods. • Where there have been changes in the methodology or key assumptions we have assessed whether these are reasonable based on changes in the industry and the historical claims experience, and have considered whether all changes we would expect to see have been made. • We tested the completeness, consistency and accuracy of claims data. In addition to this, we have performed work to understand the sensitivity of the claims IBNR to changes in key assumptions and methodology, as well as reviewed the

	actuarial disclosure in the Annual Report and Accounts. Based on our work performed we are satisfied that the methodologies and assumptions applied in the valuation of the claims IBNR are reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

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 in aggregate on the financial statements as a whole.

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

Overall materiality	£4.3 million.
How we determined it	1% of Total Assets.
Rationale for benchmark applied	We have used total assets as a benchmark as the company is in run off and revenue or profit based metrics would not be appropriate..

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £215k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has 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 did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 1 May 2005 to audit the financial statements for the year ended 31 December 2005 and subsequent financial periods. The period of total uninterrupted engagement is 13 years, covering the years ended 31 December 2005 to 31 December 2017.

Deepti Vohra (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
March 2018

	Notes	2017 £000	2016 £000
EARNED PREMIUMS, NET OF REINSURANCE			
Premiums written			
Gross amount	2(a),2(b)	(5,135)	2,957
Reinsurers' share		(284)	(755)
		(5,419)	2,202
Change in the provision for unearned premiums			
Gross amount	3	8,380	77,567
Reinsurers' share	3	(321)	(505)
		8,059	77,062
Earned premiums, net of reinsurance	4	2,640	79,264
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
Gross amount	5	(54,782)	(72,227)
Reinsurers' share	5	866	3,546
		(53,916)	(68,681)
Change in the provision for claims			
Gross amount	5,6(a)	58,871	(179)
Reinsurers' share	5,6(a)	(4,355)	(4,778)
		54,516	(4,957)
Claims incurred, net of reinsurance	5	600	(73,638)
Operating expenses, net of reinsurance			
Gross amount	7	2,618	(22,144)
Reinsurers' share	7	1,469	100
		4,087	(22,044)
Change in the equalisation provision	2(a),6(c)	-	7,303
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS	2(a)	**7,327**	**(9,115)**
INVESTMENT RETURN			
Investment income	8	6,083	7,391
Realised loss on investments		(3,130)	(4,294)
Unrealised gain/(loss) on investments		(737)	1,612
Investment expenses and charges		(523)	(493)
Total investment return		1,693	4,216
OTHER INCOME AND CHARGES			
Other income	9(a)	205	2,727
Other charges	9(b)	(1,156)	(4)
		(951)	2,723
OPERATING PROFIT/(LOSS) AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		8,069	(2,177)
Tax charge/(credit) on profit/(loss) on ordinary activities	10(a)	(1,411)	351
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**2(b)**	**6,658**	**(1,826)**

	Notes	2017 £000	2016 £000
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	**2(b)**	**6,658**	**(1,826)**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Gain/(loss) on revaluation of group undertaking	11	608	(2,505)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		**7,266**	**(4,331)**

STATEMENT OF FINANCIAL POSITION : ASSETS

TOKIO MILLENNIUM RE (UK) LIMITED

As at 31 December 2017

	Notes	2017 £000	2016 £000
INVESTMENTS			
Investments in group undertakings	11	-	2,683
Other financial investments	12	375,128	371,763
Deposits with ceding undertakings	13	1,503	2,069
		376,631	376,515
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums	3	317	662
Claims outstanding	6(a)	1,692	6,106
		2,009	6,768
DEBTORS			
Debtors arising out of direct insurance operations	14	47	78
Debtors arising out of reinsurance operations	15	13,070	22,196
Other debtors including taxation and social security	16	1,297	2,102
		14,414	24,376
OTHER ASSETS			
Intangible assets	17	-	3
Tangible assets	18	37	164
Cash at bank and in hand		34,944	82,361
Deferred tax asset	10(d)	-	730
		34,981	83,258
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		2,617	2,100
Deferred acquisition costs	19	554	2,490
Other prepayments and accrued income	20	260	1,089
		3,431	5,679
TOTAL ASSETS		**431,466**	**496,596**

	Notes	2017 £000	2016 £000
CAPITAL AND RESERVES			
Called up share capital	21	125,000	125,000
Revaluation reserve	11	-	1,561
Profit and loss account		79,523	70,696
Total equity		204,523	197,257
TECHNICAL PROVISIONS			
Provision for unearned premium	3	2,604	11,304
Claims outstanding	6(a)	219,665	284,642
		222,269	295,946
PROVISIONS FOR OTHER RISKS AND CHARGES			
Onerous lease	22	335	133
Provision for taxation	10(d)	235	-
		570	133
CREDITORS			
Creditors arising out of insurance operations		7	7
Creditors arising out of reinsurance operations		2,625	651
Other creditors including taxation and social security	23	404	184
		3,036	842
ACCRUALS AND DEFERRED INCOME			
Reinsurers' share of deferred acquisition costs	19	21	61
Other accruals and deferred income	24	1,047	2,357
		1,068	2,418
TOTAL EQUITY AND LIABILITIES		**431,466**	**496,596**

The financial statements on pages 12 to 51 were approved by the Board of Directors on March 2018 and signed on its behalf by:

Mark Julian
Chief Executive Officer

	2017			
	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At beginning of year	125,000	1,561	70,696	197,257
Profit after tax (refer Note 2(b))	-	-	6,658	6,658
Revaluation gain on group undertaking (refer Note 11)	-	608	-	608
Disposal of group undertakings (refer Note 11)	-	(2,169)	2,169	-
Dividends paid	-	-	-	-
At end of year	125,000	-	79,523	204,523

	2016			
	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At beginning of year	125,000	4,066	72,522	201,588
Loss after tax (refer Note 2(b))	-	-	(1,826)	(1,826)
Revaluation gain on group undertaking (refer Note 11)	-	(2,505)	-	(2,505)
Dividends paid	-	-	-	-
At end of year	125,000	1,561	70,696	197,257

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preperation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland for entities issuing insurance contracts" ("FRS 103") and the Companies Act 2006, under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (“SI 2008/410”).

(b) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Accounting Policy (g) under Claims Incurred.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 102 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant estimate made by management is in relation to claims outstanding. Estimates in relation to claims incurred are discussed in statement of accounting policy (h) – claims incurred. Also refer to Note 6 (a) – Technical Provisions, claims outstanding.

(d) Exemption from preparing consolidated financial statements

The Company has taken advantage of the exemption under Companies Act 2006 section 405(2), which states that a subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view.

Accordingly, these financial statements are the Company's separate financial statements.

(e) Exemption from preparing cash flow statement

The Company has taken advantage of the exemption under FRS 102 paragraph 1.12(b), from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and its ultimate parent company, Tokio Marine Holdings Inc. (registered in Japan), includes the Company's cash flows in its publicly available consolidated financial statements.

(f) Basis of accounting for underwriting activities

The results are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance, as described below.

(g) Written, earned and unearned premiums

Premiums written

Premiums written are recognised within the Statement of Comprehensive Income - Technical Account, with the gross and ceded amounts disclosed separately. Premiums written are stated gross of acquisition costs payable to intermediaries, but net of any premium levies or indirect taxes.

Premiums written relate to business incepted during the financial period, together with any differences between booked premiums and those previously accrued on contracts which incepted in prior financial periods.

Premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of premium recorded in the financial statements. Adjustments to the amounts of premium are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Earned premiums

Premiums written are earned on a time-apportionment basis to reflect the risk profile of each contract written.

STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Written, earned and unearned premiums (continued)

Unearned premium reserves ("UPR")

Premiums written not earned, are deferred within the Statement of Financial Position as unearned premium reserves ("UPR"). UPR are retranslated at closing rate and will be recognised as earned premiums in the Statement of Comprehensive Income - Technical Account in future financial periods'.

(h) Claims incurred

Claims incurred are recognised within the Statement of Comprehensive Income - Technical Account, with the gross and ceded amounts disclosed separately. Claims incurred comprise:

- Claims paid during the financial period;
- Movements in claim provisions during the financial period;
- Related internal and external claims handling costs attributable to the above; and
- Where applicable, deductions for salvage and other recoveries.

Claims provisions and related reinsurance recoveries

Claims provisions within the Statement of Financial Position comprise the following:

- Estimated costs of claims notified but not yet settled at the financial period end (“outstandings");
- Incurred but not reported claims at the financial period end (“IBNRs");
- Related internal and external claims handling costs attributable to the above; and
- Salvage and subrogation deductions, plus other recoveries where applicable.

Claims provisions are estimated at each financial period end based on best available information. The Company takes all reasonable steps to ensure that it has appropriate information regarding its estimated claim exposures and these are set so that no adverse run-off deviation is envisaged. Given the uncertainties in establishing claims provisions, it is likely that the final liability will prove different from the original estimates established. Where such uncertainty is deemed considerable, a degree of caution is exercised in setting claims provisions.

Notified outstanding claims

In estimating outstanding claims within the Statement of Financial Position, the Company considers the claim circumstances as reported, including any information available from loss adjusters.

The Company's gross outstanding claim estimates of large losses are based on best estimates of claims given the currently available information from: industry assessments of exposures; preliminary claims information obtained from policyholders, cedants and brokers to-date; and a review of in-force contracts. Actual gross losses from these events may vary materially from initial estimates due to the inherent uncertainties in making such determinations.

Incurred but not reported ("IBNR") claims

The estimation of IBNR claims within the Statement of Financial Position is generally subject to a greater degree of uncertainty than the estimation of notified outstanding claims as less information is available. IBNR claims may often not be apparent to the insured until many years have passed following the event which trigger such claims. Business classes where the proportion of IBNR claims are high in relation to total claims provisions will typically display greater variations between initial estimates and the final outcomes because of greater difficulties estimating these. Business classes where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

In calculating IBNR claims, the Company applies the three reserving methods of a priori loss ratio, link ratio and Bornhuetter Ferguson. The Company then selects the most appropriate method based on information derived by underwriters and actuaries during the initial pricing of the business, supplemented by industry data where appropriate.

These methods consider, among other things, premium rate changes, claims inflation and changes in terms and conditions that have been observed in the market.

The IBNR for each class of business is set to represent the best estimate of future claims with appropriate allowance for all risks faced. There is no longer a margin included in the IBNR. The IBNR in previous years has included a margin to take into account uncertainties in its estimation that arise from the fact that the claims experience is underdeveloped and that industry benchmark data is at times used in the reserving methodologies. The level of this margin has generally been decreasing each year as these uncertainties have reduced.

STATEMENT OF ACCOUNTING POLICIES (continued)

(h) Claims incurred (continued)

Assumed treaty contracts

These contracts currently comprise a mixed portfolio of Property, Liability, Accident/Health, Motor, Financial, Marine, Transport and Aggregate lines. The majority are short-to-medium tail in nature and there is generally not expected to be a significant delay between the occurrence of the claim and the claim being reported to the Company. Certain contracts have exposure to periodic payment orders and these are longer tail in nature where the claim payments are structured as annuities over an extended time horizon.

Direct contracts, assumed facultative contracts

These contracts comprise principally Property and Engineering lines. These are short-to-medium tail in nature and there is generally not expected to be a significant delay between the occurrence of the claim and the claim being reported to the Company.

Reinsurance recoveries

For ceded outstanding claims within the Statement of Financial Position, a separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provision.

For ceded IBNR claims within the Statement of Financial Position, these are assumed to be consistent with the historical pattern of recoveries, and adjusted to reflect changes in the Company's reinsurance programme over time.

An assessment is also made of their recoverability having regard to market data on the financial strength of the underlying reinsurers and their associated default probabilities.

(i) Unexpired risk provisions ("URP")

Unexpired risk provisions ("URP") are established within the Statement of Financial Position for any deficiencies arising when unearned premium reserves ("UPR"), net of associated deferred acquisition costs ("DAC") are insufficient to meet expected claims and expenses. No account is taken of future investment return arising from investments supporting the URP and UPR. The expected claims are calculated based on information available at the Statement of Financial Position date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

(j) Equalisation provisions

Equalisation Provisions are additional loss reserves required under the Solvency I regime (EC Non-Life Directive 1987/343) for the purposes of mitigating exceptionally high loss ratios in future financial periods. When the Solvency II regime (EC Solvency II Directive 2009/138) came into force on 1 January 2016, Equalisation Provisions were abolished.

(k) Acquisition costs

Acquisition costs

Acquisition costs within the Statement of Comprehensive Income - Technical Account represent both external commissions and internal expenses associated with acquiring insurance contracts written during the financial period. Acquisition costs also include reinsurance commissions and profit participations - both receivable and payable. Acquisition costs are recognised in the financial period in which the related premiums are earned, with the gross and ceded amounts disclosed separately.

Deferred acquisition costs ("DAC")

Acquisition costs which relate to unearned premium reserves ("UPR") are recognised within the Statement of Financial Position as deferred acquisition costs ("DAC"). DAC are retranslated at closing rate and will be charged in future financial periods' Statement of Comprehensive Income - Technical Account.

(l) Financial instruments

The Company has chosen to adopt FRS 102 section 11 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, bonds and similar debt instruments are initially recognised at transaction price. Upon their initial recognition, debt instruments are designated by the entity as fair value through profit or loss, and are subsequently measured at fair value which is the current bid market price. Any changes in fair value are recognised in the Statement of Comprehensive Income - Non Technical Account.

Financial assets are derecognised when: (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

STATEMENT OF ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at the transaction price when recorded.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Investment in subsidiary company

Investment in the subsidiary company is held at fair value through Other Comprehensive Income. Differences between historical cost and fair value are recognised in the Revaluation Reserve.

(n) Investment return

Investment return is recognised within the Statement of Comprehensive Income and comprises:

- Investment income earned during the financial period;
- Investment expenses, charges or interest incurred during the financial period;
- Movements in unrealised market value gains/losses during the financial period; and
- Realised investment gains/losses arising from the sales and maturities of investments during the financial period.

Investment income

Investment income comprises:

- Interest on bank balances, which are accounted for on an accruals basis;
- Coupons on bonds, which are accounted for on an accruals basis; and
- Returns on money market funds, which are accounted for on an accruals basis.

Investment expenses, charges or interest

These are recognised on an accruals basis.

Movements in unrealised gains/(losses)

Unrealised gains/(losses) on investments arising during the financial period represent the difference between:

- The market value of investments at the Statement of Financial Position date, and their acquired cost if purchased during the financial period; or
- The market value of investments at the Statement of Financial Position date, and their market value at the last Statement of Financial Position date if purchased in previous financial periods.

Realised gains/(losses)

These represent the difference between the net sales proceeds and acquired cost. Any unrealised gains/(losses) previously recognised will be reclassified as realised gains/(losses) upon the sale or maturity of investments.

(o) Other income

Fee income arises from:

- Income receivable by the Company from group undertakings for risk consultancy services; and
- Income receivable by the Company from its sublease on an office premise.

(p) Foreign currency translations and settlements

The Company's reporting and functional currency is GBP.

The Company operates in the three transactional currencies of GBP/EUR/USD. All non-GBP/EUR/USD transactions are translated into GBP/EUR/USD at the actual rates prevailing on the respective dates of the transactions. At each period end:

- Foreign currency monetary items, including the Statement of Comprehensive Income, are translated at closing rates. Individual line items in the Statement of Comprehensive Income are translated at the average rate, with the retranslation into closing rates taken to exchange gains and losses.
- Foreign currency non-monetary items measured at historical cost are translated using the exchange rate prevailing at the date of the transaction.
- Foreign currency non-monetary items measured at fair value are translated using the exchange rate prevailing at the date fair value was determined.

STATEMENT OF ACCOUNTING POLICIES (continued)

(p) Foreign currency translations and settlements (continued)

All foreign exchange gains and losses are recognised in the Statement of Comprehensive Income - Non Technical Account. These arise from:

- Settlements of non-GBP/EUR/USD foreign currency transactions.
- Retranslations of monetary items at period end exchange rates.
- Differences on non-monetary items between theoretical period end exchange rate values, and the established historic or fair values recognised at various exchange rates.

(q) Operating leases

Operating lease rentals are charged to the Statement of Comprehensive Income - Non Technical Account evenly over the period of the lease.

(r) Current and deferred taxation

Current tax

Current tax is recognised in the Statement of Comprehensive Income - Non Technical Account and reflects:

- Estimated tax charges/credits associated with the current financial period's taxable profits/losses;
- Changes in previously estimated tax charges/credits associated with previous financial periods' taxable profits/losses.

Deferred tax

Deferred tax assets/liabilities within the Statement of Financial Position arise from differences in timing between the recognition of taxable profits/losses in the financial statements, versus their recognition in the tax computation.

Provision is made for all material timing differences, including revaluations of investment gains/losses recognised within the Statement of Comprehensive Income - Non Technical Account. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. This provision is not discounted.

Deferred tax assets are recognised to the extent that it is regarded more likely than not that these will be recovered.

(s) Pension costs

The Company only operates a defined contribution pension scheme - a plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations. Contributions to the scheme are charged to the Statement of Comprehensive Income - Technical Account and represent the amounts payable during the current financial period. Contributions are accumulated and invested by an independent scheme manager across a portfolio of assets which are held separately from the Company's assets.

(t) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised. The costs of tangible assets are capitalised on the Statement of Financial Position within the following categories, and depreciated on a straight line basis over the estimated useful lives stipulated below:

■ Leasehold improvements	3 to 10 years
■ Furniture/fixtures/fittings	2 years
■ Computer hardware	2 years
■ Office equipment	2 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

STATEMENT OF ACCOUNTING POLICIES (continued)

(u) Intangible assets

The only intangible asset is computer software. This is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is amortised over its estimated useful life of 2 years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(v) Distributions to equity shareholders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

1. RISK MANAGEMENT

The Company, through its risk management function and the Risk Committee, seeks to identify all material risks inherent in its business including emerging risks, understand the manifestations of each risk, then assess, control, mitigate and manage these risks appropriately.

The objectives of the Company's risk management function are to ensure that:

- all material risks are proactively identified;
- the probability and impact of each risk are quantified on a pre-mitigation and post-mitigation basis;
- the potential to cause losses or generate profits is understood and assessed;
- appropriate action is taken to manage the assumption of each risk based on that assessment and the Company's stated risk appetite;
- an appropriate level of capital is held to cover financial and non-financial risks from all sources; and
- following a severe catastrophic event(s), appropriate capital action can be executed to remain solvent and meet its obligations under reinsurance contracts.

The oversight of the Company's risk management function falls within the remit of the Risk Committee, a sub-committee of the Executive Committee which reports to the Board of Directors. The Risk Committee is charged with setting the orientation of the Company's business. It pays particular attention to business strategy, capital allocation, risk control framework and ensures these are implemented.

The Company is exposed to risks from several sources. These fall into the broad categories of: underwriting risk (comprising premium, catastrophe and reserve); financial risk (comprising interest rate, foreign exchange, credit and liquidity); operational risk; and strategic risk.

Underwriting risk

Underwriting risk consists of premium risk, catastrophe risk and reserve risk.

Underwriting risk arise either from the acceptance of risks that do not comply with the Company's underwriting guidelines and corporate strategy, or from the acceptance of risks that result in losses and expenses greater than it had anticipated at the time of underwriting.

As a reinsurance Company, TMRUK is in the business of taking underwriting risk and therefore has a high appetite for underwriting risk. The Company's risk limits are defined in the Company's risk appetite and risk tolerance limits for all underwriting risks.

The Company has underwriting guidelines in place that clearly define each underwriter's authority, permitted territorial scope, risks to be written, risks to be avoided, acceptance limits, maximum policy period, maximum net retention, and outward reinsurance.

As part of the Company's risk control strategy and governance, all contracts must be reviewed and approved by the Executive Committee, a sub-committee of the Audit Committee, before these can be bound.

The Company employs experienced catastrophe analysts and modellers, as well as experienced and credentialed actuaries, to perform pricing analyses ensuring each risk is adequately priced.

Financial risk

Financial risk refers to the risk of financial loss due to a change in the value of the Company's assets, or a change of market risk factors that affect the value of such assets. The Company has identified the following as its main sources of financial risks: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Operational risk

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's reputation resulting from inadequate or failed internal processes, people and systems, or from external events.

Strategic risk

Strategic risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions, or inability to act in response to business opportunities, or to adapt to changes in its operating environment.

1. RISK MANAGEMENT (continued)

(a) Underwriting risk - premium

Premium risk is the risk that the premium to be earned over the next 12 month period from the in-force, new or renewal reinsurance contracts is insufficient to cover the claim costs, claim adjustment expenses as well as the acquisition costs to be incurred by those contracts over the same period.

Gross written premium of £(5,135) thousand in 2017 relates to revisions in premium estimates primarily on Property and Financial Lines.

Details of gross premiums written by geographical area of risk insured are set out below.

	2017		2016	
	Gross written premiums		Gross written premiums	
	£000	%	£000	%
Geographic area of risk insured				
Worldwide	(2,987)	59%	636	22%
Asia and Australia	(2,312)	46%	(818)	(28)%
Africa and Middle East	(254)	5%	(157)	(5)%
North, Central and South America	(114)	2%	914	31%
United Kingdom	(13)	(1)%	1,645	55%
Europe	545	(11)%	737	25%
	(5,135)	100%	2,957	100%

Details of gross premiums written by line of business are provided below.

	2017		2016	
	Gross written premiums		Gross written premiums	
	£000	%	£000	%
Line of business				
Property	(3,466)	67%	(833)	(28)%
Financial Lines	(3,075)	61%	(1,759)	(59)%
Transport	(354)	7%	416	14%
Marine	(305)	6%	85	3%
Accident and Health	(25)	0%	(138)	(5)%
Aggregate Cover	9	(0)%	-	0%
Motor	388	(8)%	1,712	58%
Liability	1,693	(33)%	3,474	117%
	(5,135)	100%	2,957	100%

(b) Underwriting risk - catastrophe

Catastrophe risk is the risk that the premium to be earned over the next 12 month period from the catastrophe exposed reinsurance contracts (in-force, new or renewal) is insufficient to cover potential claim costs, claim adjustment expenses as well as the acquisition costs associated with those contracts that may originate from extreme or exceptional catastrophic events over the same period, such as but not limited to hurricanes, earthquakes, windstorms, landslides, and terrorist attacks.

Catastrophe risk is classified as a separate and distinct class of underwriting risk mainly due to its low frequency and high severity characteristics, its potential to affect numerous contracts simultaneously, and inflict significant erosion of the Company's capital.

The Company has made a series of strategic moves to diversify, spread and dilute its catastrophic exposures as well as optimise its underwriting portfolio through geographical diversification and by spreading risks across multiple lines of businesses.

1. RISK MANAGEMENT (continued)

(c) Underwriting risk - reserve

Reserve risk is the risk that the best (point) estimate of unpaid loss and loss adjustment expense reserves (collectively "claims reserves") are inadequate to cover all future payments for the settlement of claims from all prior accident years occurring at or before the valuation date.

Reserve risk is distinct from premium risk and is related to premium exposures that have already been earned, as well as claims outstanding.

A summary of changes in claims reserves is presented in Note 6. This comprises outstanding claims reserves, claims incurred but not reported reserves, unallocated loss adjustment reserves and any reinsurers' share thereof. There was no change to the Company's reserving methodology during the year.

To manage reserving risk, the Company's actuarial team uses a range of recognised actuarial techniques to project gross premiums written to ultimate, monitor claims development patterns, and stress test ultimate insurance liabilities. An independent firm of actuaries also performs an annual reprojection of the ultimate insurance liabilities.

A full analysis of claims reserves is performed on a quarterly basis. The analysis is reviewed by and discussed with underwriters, actuaries, claims, finance and senior management prior to submission to the Reserve Committee, a sub-committee of the Executive Committee. The Reserve Committee's remit is to review the sufficiency of the estimated claims reserves and to critically assess the claims reserving practices of the Company.

The claims reserves established can be more or less than adequate to meet individual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate reserves for known large losses and catastrophes, or from inadequate provision for unknown losses. The Company believes that the claims reserves establised are adequate, however a 1% improvement/deterioration in the total estimated losses would have an impact on profit before tax of £2,197 thousand gain/loss (2016: £2,846 thousand).

Concentrations of claims reserves by line of business are provided below.

	2017		2016	
Gross claims reserves	Claims reserves		Claims reserves	
	£000	%	£000	%
Line of business				
Motor	131,567	60%	135,689	47%
Liability	39,693	18%	45,344	16%
Property	22,213	10%	41,528	15%
Financial Lines	14,644	7%	43,477	15%
Marine	7,672	3%	13,396	5%
Transport	2,484	1%	2,882	1%
Aggregate Cover	1,015	1%	1,568	1%
Accident and Health	377	0%	758	0%
	219,665	100%	284,642	100%

On 27 February 2017, the Lord Chancellor revised down the Ogden discount rate to -0.75% from +2.50%. This movement resulted in an overall increase in TMRUK Ltd's lump sum Motor claim reserves in 2016 for policies written in underwriting years 2012, 2013, 2014 and 2015.

The Company believes that the lump sum Motor claim reserves are adequate but does recognise the sensitivities of key assumptions involved in the calculation of the reserve. For example, a 5 year change in the average age of the claimant and/or life expectancy of the claimant may have a material impact on the lump sum Motor claim reserves.

1. RISK MANAGEMENT (continued)

(c) Underwriting risk - reserve (continued)

The table below summarises the development of gross ultimate cumulative claim estimates at the end of each financial year, illustrating how amounts estimated have changed from the first estimate made.

	Underwriting years					
Gross ultimate liability estimates at end of financial years	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000
End of financial year 1	17,474	11,230	19,639	43,205	29,520	44,369
End of financial year 2	25,287	27,944	54,944	58,392	53,457	61,896
End of financial year 3	22,947	40,886	54,431	61,402	52,591	53,030
End of financial year 4	24,896	35,449	53,777	64,093	50,098	50,859
End of financial year 5	23,325	35,595	60,522	69,561	51,286	50,525
End of financial year 6	22,505	31,542	64,342	68,261	50,873	50,385
End of financial year 7	22,317	32,675	65,825	65,796	50,763	50,046
End of financial year 8	22,497	32,163	61,899	63,182	52,632	47,510
End of financial year 9	22,674	30,774	60,106	64,609	51,597	
End of financial year 10	22,584	30,556	60,519	65,011		
End of financial year 11	22,534	30,501	59,525			
End of financial year 12	22,158	30,398				
End of financial year 13	22,537					
Ultimate liability	22,537	30,398	59,525	65,011	51,597	47,510
Paid to-date	(21,945)	(29,633)	(57,447)	(61,558)	(47,541)	(44,640)
Unpaid liability (excluding ULAE)	592	765	2,078	3,453	4,056	2,870
ULAE liability	11	14	38	64	75	53
Unpaid liability (including ULAE) at 31 December 2017	603	779	2,116	3,517	4,131	2,923

	Underwriting years					
Gross ultimate liability estimates at end of financial years	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
End of financial year 1	35,481	35,314	40,679	58,555	76,746	
End of financial year 2	52,632	53,808	80,172	109,511	132,391	
End of financial year 3	45,713	51,991	86,084	120,341	129,323	
End of financial year 4	43,929	52,238	96,091	122,936		
End of financial year 5	43,911	65,248	96,227			
End of financial year 6	44,158	60,954				
End of financial year 7	43,478					
End of financial year 8						
End of financial year 9						
End of financial year 10						
End of financial year 11						
End of financial year 12						
End of financial year 13						
Ultimate liability	43,478	60,954	96,227	122,936	129,323	729,496
Paid to-date	(41,183)	(42,804)	(50,551)	(57,702)	(58,066)	(513,070)
Unpaid liability (excluding ULAE)	2,295	18,150	45,676	65,234	71,257	216,426
ULAE liability	42	222	624	980	1,116	3,239
Unpaid liability (including ULAE) at 31 December 2017	2,337	18,372	46,300	66,214	72,373	219,665

1. RISK MANAGEMENT (continued)

(c) Underwriting risk - reserve (continued)

The table below summarises the development of net ultimate cumulative claim estimates at the end of each financial year, illustrating how amounts estimated have changed from the first estimate made.

	Underwriting years					
Net ultimate liability estimates at end of financial years	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000
End of financial year 1	12,511	11,230	19,639	43,205	29,520	44,369
End of financial year 2	20,603	27,944	54,944	58,392	53,457	61,896
End of financial year 3	19,815	40,886	54,431	61,402	52,591	53,030
End of financial year 4	19,079	35,449	53,777	64,093	50,098	50,859
End of financial year 5	18,866	35,595	60,522	69,561	51,286	50,525
End of financial year 6	18,046	31,542	64,342	68,261	50,873	50,385
End of financial year 7	17,858	32,675	65,825	65,796	50,763	50,046
End of financial year 8	18,038	32,163	61,899	63,182	52,632	47,510
End of financial year 9	18,215	30,774	60,106	64,609	51,597	
End of financial year 10	18,125	30,556	60,519	65,011		
End of financial year 11	18,075	30,501	59,525			
End of financial year 12	17,699	30,398				
End of financial year 13	18,078					
Ultimate liability	18,078	30,398	59,525	65,011	51,597	47,510
Paid to-date	(17,486)	(29,633)	(57,447)	(61,558)	(47,541)	(44,640)
Unpaid liability (excluding ULAE)	592	765	2,078	3,453	4,056	2,870
ULAE liability	11	14	38	64	75	53
Unpaid liability (including ULAE) at 31 December 2017	603	779	2,116	3,517	4,131	2,923

	Underwriting years					
Net ultimate liability estimates at end of financial years	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
End of financial year 1	35,122	26,435	39,427	57,534	76,746	
End of financial year 2	52,632	44,156	78,742	105,555	132,391	
End of financial year 3	45,713	41,548	84,763	117,865	129,323	
End of financial year 4	43,929	42,996	94,522	119,024		
End of financial year 5	43,911	55,444	96,227			
End of financial year 6	44,158	51,887				
End of financial year 7	43,478					
End of financial year 8						
End of financial year 9						
End of financial year 10						
End of financial year 11						
End of financial year 12						
End of financial year 13						
Ultimate liability	43,478	51,887	96,227	119,024	129,323	712,058
Paid to-date	(41,183)	(35,301)	(50,551)	(53,919)	(58,065)	(497,324)
Unpaid liability (excluding ULAE)	2,295	16,586	45,676	65,105	71,258	214,734
ULAE liability	42	222	624	980	1,116	3,239
Unpaid liability (including ULAE) at 31 December 2017	2,337	16,808	46,300	66,085	72,374	217,973

1. RISK MANAGEMENT (continued)

(d) Financial risk - interest

Interest rate risk is a function of general economic and financial market factors (such as the level, trend and volatility of interest rates) as well as the characteristics of the individual debt securities held in the Company's investment portfolio. The Company cannot control the former but it can control the latter.

The Company manages interest rate risk by calculating the value-at-risk, average maturity and average duration of its debt securities portfolio. These indicators measure the sensitivity of the portfolio's valuation to changes in interest rates. There is currently minimal interest rate risk exposure on the portfolio as these are principally short-to-medium term in duration.

Investment guidelines are established to manage this risk. These guidelines set parameters within which the external investment managers must operate. The guidelines are approved by the Audit Committee which is a sub-committee of the Board of Directors. The investment guidelines specify the limitations on the maximum percentage of assets that can be invested in a single issuer or in a single asset class. There are also specific limitations on the maximum maturity for various asset classes and minimum requirements of credit ratings.

The investment mix of debt securities held in the portfolio is as follows:

	2017					
	Fixed Rate		Floating Rate		Total	
	Fair values		Fair values		Fair values	
Debt securities	£000	%	£000	%	£000	%
UK government	167,865	51%	-	0%	167,865	51%
Non-UK government	3,485	1%	2,591	1%	6,076	2%
UK Government agencies	1,465	0%	-	0%	1,465	0%
Non-UK government agencies	17,617	6%	703	0%	18,320	6%
Supranational	21,376	7%	739	0%	22,115	7%
Corporate	63,173	19%	21,922	7%	85,095	26%
Government backed	25,991	8%	-	0%	25,991	8%
	300,972	92%	25,955	8%	326,927	100%

	2016					
	Fixed Rate		Floating Rate		Total	
	Fair values		Fair values		Fair values	
Debt securities	£000	%	£000	%	£000	%
UK government	177,904	57%	-	0%	177,904	57%
Non-UK government	29,767	10%	3,338	1%	33,105	11%
Non-UK government agencies	13,988	4%	866	0%	14,854	4%
Supranational	3,811	1%	405	0%	4,216	1%
Corporate	42,064	13%	25,009	9%	67,073	22%
Government backed	15,277	5%	-	0%	15,277	5%
	282,811	90%	29,618	10%	312,429	100%

The sensitivity analysis for interest rate risk illustrates how changes in the portfolio's fair values will fluctuate because of changes in market interest rates at the reporting date. This is detailed below assuming linear movements in interest rates.

	2017		2016	
	Fair Value Movement		Fair Value Movement	
Shifts in market interest rates	£000	%	£000	%
100 basis points	(7,257)	(2.2%)	(3,527)	(1.1%)
75 basis points	(5,490)	(1.7%)	(2,656)	(0.9%)
50 basis points	(3,692)	(1.1%)	(1,778)	(0.6%)
25 basis points	(1,862)	(0.6%)	(893)	(0.3%)
(25) basis points	1,897	0.6%	900	0.3%
(50) basis points	3,828	1.2%	1,807	0.6%
(75) basis points	5,797	1.8%	2,722	0.9%
(100) basis points	7,804	2.4%	3,644	1.2%

1. RISK MANAGEMENT (continued)

(e) Financial risk - foreign exchange

Although the Company's presentation and reporting currency is GBP, it operates internationally and its exposures to foreign exchange risk arise primarily from USD and EUR currencies when these exchange rates fluctuate against GBP. This impacts the USD and EUR - denominated transactions, assets and liabilities. The Company seeks to mitigate foreign exchange risk by closely matching the estimated foreign currency denominated liabilities with assets in the same currency.

The Company's USD and EUR - denominated assets and liabilities, translated into their carrying GBP amounts at these exchange rates of GBP 1 : USD 1.3521 : EUR 1.1259 (2016: GBP 1 : USD 1.2357 : EUR 1.1733) are as follows.

	2017			
	GBP denominations	USD denominations	EUR denominations	Total
	£000	£000	£000	£000
Total assets	349,164	62,792	19,510	431,466
Total liabilities	159,584	52,374	14,985	226,943
Total equity	189,580	10,418	4,525	204,523

	2016			
	GBP denominations	USD denominations	EUR denominations	Total
	£000	£000	£000	£000
Total assets	359,592	113,715	23,289	496,596
Total liabilities	175,039	104,470	19,830	299,339
Total equity	184,553	9,245	3,459	197,257

The impact on equity of a USD and EUR foreign exchange rate shift of 10% weakening or strengthening against GBP is detailed below. This assumes all other variables, such as interest rates, remain constant while the underlying assets and liabilities in their base currencies also remain unchanged.

	2017		
	USD denominated equity	EUR denominated equity	Total in/ (de)crease
Shifts in foreign exchange rates against GBP	£000	£000	£000
10% weaker	(947)	(411)	(1,358)
10% stronger	1,158	503	1,661

	2016		
	USD denomi-nated equity	EUR denomi-nated equity	Total in/ (de)crease
Shifts in foreign exchange rates against GBP	£000	£000	£000
10% weaker	(840)	(314)	(1,155)
10% stronger	1,027	384	1,412

1. RISK MANAGEMENT (continued)

(f) Financial risk - credit

Credit risk is the risk of potential financial loss due to unexpected default, or deterioration in the credit ratings of asset counterparties - causing a loss in asset values. These include in/reinsurance debtors receivable from brokers/cedants and financial investments with a diverse range of counterparty issuers.

Credit risk on in/reinsurance debtors is managed by conducting business with reputable intermediaries, with whom the Company has established relationships, and by rigorous cash collection procedures on overdue debtors.

Credit risk on financial investment is managed by stipulating a minimum credit rating score for each security within an asset class, setting exposure limits in each credit rating band, and limiting the amounts of credit exposure with any one counterparty.

The maturity dates of in/reinsurance debtors are as follows.

	2017 £000	2016 £000
Less than 3 months overdue	13,245	20,814
Between 4 and 12 months overdue	775	1,135
Between 1 and 2 years overdue	329	991
Beyond 2 years overdue	550	419
Doubtful debt provision	(1,782)	(1,084)
	13,117	22,275

An analysis of the financial investment and in/reinsurance debtor exposures by counterparty credit ratings is as follows.

	2017					
	Debt securities £000	Participations in investment pools £000	Deposits with credit institutions £000	Cash at bank and in hand £000	Debtors arising out of in/ reinsurance operations £000	Total £000
AAA	67,012	18,674	-	-	2	85,688
AA+	11,950	-	-	-	548	12,498
AA	170,788	-	-	-	18	170,806
AA-	15,669	-	-	19,641	53	35,363
A+	18,875	-	-	1,575	3,606	24,056
A	22,716	-	25,829	243	328	49,116
A-	7,735	-	3,698	13,485	4	24,922
BBB+	4,851	-	-	-	0	4,851
BBB	7,331	-	-	-	21	7,352
BBB-	-	-	-	-	-	-
Not rated	-	-	-	-	8,537	8,537
	326,927	18,674	29,527	34,944	13,117	423,189

1. RISK MANAGEMENT (continued)

(f) Financial risk - credit (continued)

	2016					
	Debt securities	Participations in investment pools	Deposits with credit institutions	Cash at bank and in hand	Debtors arising out of in/reinsurance operations	Total
	£000	£000	£000	£000	£000	£000
AAA	240,285	44,973	-	-	2	285,260
AA+	10,256	-	-	-	1,198	11,454
AA	513	-	-	-	8	521
AA-	10,391	-	-	23,273	61	33,725
A+	15,901	-	-	25,616	10,549	52,066
A	11,327	-	8,174	20,434	1,971	41,906
A-	14,346	-	6,187	13,038	347	33,918
BBB+	6,136	-	-	-	8	6,144
BBB	3,274	-	-	-	46	3,320
BBB-	-	-	-	-	-	-
Not rated	-	-	-	-	8,085	8,085
	312,429	44,973	14,361	82,361	22,275	476,399

Debtors arising out of in/reinsurance operations

- These reflect counterparty credit exposures to policyholders/cedants that arise in the course of conducting underwriting activities. Exposures in the "not rated" category relate to policyholders/cedants that do not have a credit rating. Notwithstanding, the Company transacts most of its in/reinsurance business through major and reputable intermediaries, where the relationships are either governed by terms of business agreements of a non-risk transfer type, or the law of agency in the absence of agreements - where the legal effect of either is the same.
- Legally, this means the Company is not on risk until the monies are received from policyholders/cedants by the Company - as the intermediary is acting in its capacity as agent rather than as principal. Consequently, monies received from policyholders/cedants by intermediaries that fail to pass these on will not result in the Company being on risk. Therefore, the Company's overall counterparty credit exposures are deemed to be low as the in/reinsurance coverage with policyholders/cedants could be cancelled pro rata temporis if monies are not received.

1. RISK MANAGEMENT (continued)

(g) Financial risk - liquidity

Liquidity risk is the risk that the Company is unable to meet its contractual obligations in a timely manner due to the inability of its investment assets to be sold without causing a significant movement in the price and with minimum loss in value.

The Company aims to keep liquidity risk as low as possible to be able to meet its contractual obligations in a timely manner, even under stressed scenarios such as following a major catastrophic event.

The Company's investment guidelines puts the safety and liquidity of its investable assets before and above its pursuit of investment returns. The Company holds a significant amount of its assets in shorter-term cash, deposits and investment pool. Its longer term assets are invested in debt securities, almost all of which are of high credit quality and can be sold on the open market quickly with little or no impact on prices.

The maturity dates of financial investment and cash at bank and in hand are as follows.

	2017				
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	Total £000
Listed debt securities	120,120	93,644	81,208	31,955	326,927
Participations in investment pools	18,674	-	-	-	18,674
Deposits with credit institutions	29,527	-	-	-	29,527
Cash at bank and in hand	34,944	-	-	-	34,944
	203,265	93,644	81,208	31,955	410,072

	2016				
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	Total £000
Listed debt securities	177,592	98,501	30,093	6,243	312,429
Participations in investment pools	44,973	-	-	-	44,973
Deposits with credit institutions	14,361	-	-	-	14,361
Cash at bank and in hand	82,361	-	-	-	82,361
	319,287	98,501	30,093	6,243	454,124

The maturity dates of claim reserves (excluding unearned premium reserves) shown below are based on estimated future payment outflows.

	2017				
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	Total £000
Outstanding claims reserves	38,089	48,239	27,048	26,081	139,457
Claims incurred but not reported reserves	21,022	26,624	14,928	14,395	76,969
Unallocated loss adjustment expense reserves	885	1,120	628	606	3,239
	59,996	75,983	42,604	41,082	219,665

	2016				
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	Total £000
Outstanding claims reserves	42,959	39,802	21,622	23,258	127,641
Claims incurred but not reported reserves	51,341	47,571	25,842	27,797	152,551
Unallocated loss adjustment expense reserves	1,497	1,388	754	811	4,450
	95,797	88,761	48,218	51,866	284,642

1. RISK MANAGEMENT (continued)

(h) Operational risk

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's reputation resulting from inadequate or failed internal processes, people and systems or from external events.

The following are some examples of operational risks facing the Company:

- Legal and compliance risk.
- Information technology risk.
- Loss of key officers or employees.
- System failure and business interruption.
- Execution errors.
- Employment practice liability.
- Internal and external fraud.

These risks are managed through internal control processes and monitoring tools such as the risk register.

The Company has a low appetite for operational risk. Unlike underwriting and financial risks, operational risk has no upside and only downside, and therefore should be avoided if feasible and cost-effective.

Operational risk is difficult to quantify but can only be controlled through appropriate corporate governance and internal control measures. The Company has developed a number of policies and procedures aimed to control or mitigate the negative impact that may potentially result from operational risk events.

(i) Strategic risk

Strategic risk is the risk to earnings or capital arising from adverse business decisions or the improper implementation of those decisions, or the inability to act in response to business opportunities or adapt to changes in its operating environment.

The following are examples of strategic risks facing the Company:

- Planning processes that are not fully integrated with internal financial indicators and external benchmarks, or are based on forecasts that are inherently optimistic.
- Deficiencies and weaknesses in understanding of regulatory requirements, and risk comprehension by claims handling staff.
- Failure of large information technology and infrastructure projects to achieve specified goals.

The responsibility for strategic risk control and mitigation rests with the Executive Committee, a sub-committee of the Board of Directors.

1. RISK MANAGEMENT (continued)

(j) Capital management

The Company attempts to identify and appropriately define all material risks internal and external to the Company, understand the manifestations of each risk, and ensure that risks are managed, controlled or mitigated. To the extent that a risk is not fully mitigated, the Company will measure the financial impact of the risk and include it in its capital adequacy assessment and measurement framework. The internal capital model covers all of the material risks identified above, including regulatory obligations.

The Company's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- To satisfy the requirements of its policyholders, regulators and rating agencies.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To allocate capital efficiently in order to support stability.
- To manage exposures in line with movements in exchange rates.

The Company has various sources of capital available to it and seeks to optimise its capital usage to consistently optimise shareholder returns. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance when assessing its capital deployment and associated usage. The Company manages as capital, all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the Prudential Regulation Authority and the Financial Conduct Authority. As a regulated entity, it is subject to insurance solvency regulations under the EU Directive and the Solvency II Directive - which specify the minimum amount and type of capital that must be held in excess of its insurance liability obligations - in order to meet a certain solvency threshold. The Company manages capital in accordance with these rules and has embedded in its asset liability management framework the necessary tests to ensure continuous and full compliance with such regulations. In summary:

- At 31 December 2016, under the Solvency II Directive (effective 1 January 2016) the total capital available to meet the Solvency Capital Requirement (being the Own Funds) is £145 million with the Solvency Capital Requirement at £133 million and the total capital available to meet the Minimum Capital Requirement (being the Own Funds) is £144 million with the Minimum Capital Requirement at £38 million. The Company has complied with all externally imposed capital requirements throughout the year. The 31 December 2017 annual Solvency II returns, which are subject to external audit, are to be filed by 5 May 2018.

In addition, the Company manages capital by reference to various self-assessed risk-based measures, including but not limited to the use of internal models, throughout the year.

(k) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1**
  Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.
- **Level 2**
  Valuations based on prices of recent transactions when no quoted active price is available. Reference is also made to quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices.

1. RISK MANAGEMENT (continued)

(k) Fair value estimation (continued)

- **Level 3**
  Valuations based on a valuation technique. These measurements include circumstances where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

Below is a summary of assets that are measured at fair value on a recurring basis:

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value	£000	£000	£000	£000
Listed debt securities				
UK government	167,865	-	-	167,865
Non-UK government	6,074	-	-	6,074
Non-UK government agencies	15,579	4,206	-	19,785
Supranational	15,613	6,502	-	22,115
Corporate	67,383	17,713	-	85,096
Government backed	23,487	2,505	-	25,992
Participations in investment pools	18,674	-	-	18,674
Deposits with credit institutions	29,527	-	-	29,527
Cash at bank and in hand	34,944	-	-	34,944
	379,146	30,926	-	410,072

	2016			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value	£000	£000	£000	£000
Listed debt securities				
UK government	177,904	-	-	177,904
Non-UK government	32,289	816	-	33,105
Non-UK government agencies	11,537	3,317	-	14,854
Supranational	4,216	-	-	4,216
Corporate	48,450	18,623	-	67,073
Government backed	13,564	1,713	-	15,277
Participations in investment pools	44,973	-	-	44,973
Deposits with credit institutions	14,361	-	-	14,361
Cash at bank and in hand	82,361	-	-	82,361
	429,655	24,469	-	454,124

During the year, there were no transfers (2016: none) made from Levels 1 or 2 into Level 3, and vice versa, within the fair value hierarchy.

2. SEGMENTAL INFORMATION

(a) Analyses by placing type

	2017					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsu-rance balances	Underwriting profit/(loss)
	£000	£000	£000	£000	£000	£000
Assumed treaty business						
Proportional reinsurance	(6,216)	925	5,106	4,517	(2,724)	7,824
Non-proportional reinsurance	797	1,715	(2,776)	(1,810)	-	(2,871)
Direct and assumed facultative business	284	605	1,759	(89)	99	2,374
	(5,135)	3,245	4,089	2,618	(2,625)	7,327
				Change in equalisation provision		-
				Underwriting profit/(loss)		7,327

	2016					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsu-rance balances	Underwriting profit/(loss)
	£000	£000	£000	£000	£000	£000
Assumed treaty business						
Proportional reinsurance	1,347	64,939	(40,078)	(18,926)	(1,070)	4,865
Non-proportional reinsurance	847	14,317	(32,480)	(3,091)	-	(21,254)
Direct and assumed facultative business	763	1,268	152	(127)	(1,322)	(29)
	2,957	80,524	(72,406)	(22,144)	(2,392)	(16,418)
				Change in equalisation provision		7,303
				Underwriting profit/(loss)		(9,115)

The reinsurance balance represents the change to the Statement of Comprehensive Income - Technical Account Balance from the aggregate of all items relating to reinsurance outwards.

2. SEGMENTAL INFORMATION (continued)

(b) Analyses by geographical area

By destination	2017 Assumed treaty £000	2017 Direct/ assumed facultative £000	2017 Total £000	2016 Assumed treaty £000	2016 Direct/ assumed facultative £000	2016 Total £000
Gross premiums written						
United Kingdom	(11)	(2)	(13)	1,643	2	1,645
North, Central and South America	(247)	134	(113)	(18)	932	914
Europe	476	69	545	727	10	737
Worldwide	(3,006)	19	(2,987)	635	1	636
Africa and Middle East	(318)	64	(254)	(1)	(156)	(157)
Asia and Australia	(2,313)	-	(2,313)	(792)	(26)	(818)
	(5,419)	284	(5,135)	2,194	763	2,957

By origin	2017 Assumed treaty £000	2017 Direct/ assumed facultative £000	2017 Total £000	2016 Assumed treaty £000	2016 Direct/ assumed facultative £000	2016 Total £000
United Kingdom						
Gross premiums written	(5,419)	284	(5,135)	2,194	763	2,957
Profit/(loss) before tax	5,693	2,376	8,069	(2,336)	159	(2,177)
Profit/(loss) after tax	4,697	1,961	6,658	(1,959)	133	(1,826)
Net assets	198,485	6,038	204,523	189,671	7,586	197,257

Net assets attributable to assumed treaty operations, and to direct and facultative operations have been distributed based on total capital as a % of total liabilities.

3. PROVISION FOR UNEARNED PREMIUMS

	2017 £000	2016 £000
Gross		
At beginning of year	11,304	85,039
Exchange gain/(loss) on retranslation of brought forward balances from last to this year closing rates	(440)	7,160
Increase/(decrease) during year (refer Note 4)	(8,380)	(77,567)
Exchange gain/(loss)on retranslation of in-year movement from average to closing rates	120	(3,328)
At end of year	2,604	11,304
Reinsurers' share		
At beginning of year	662	1,055
Exchange gain/(loss) on retranslation of brought forward balances from last to this year closing rates	(28)	165
Increase/(decrease) during year (refer Note 4)	(321)	(505)
Exchange loss/(gain)on retranslation of in-year movement from average to closing rates	4	(53)
At end of year	317	662

4. EARNED PREMIUMS, NET OF REINSURANCE

	2017			2016		
	Gross £000	Reinsurance £000	Net £000	Gross £000	Reinsurance £000	Net £000
Premiums written	(5,135)	(284)	(5,419)	2,957	(755)	2,202
Change in the provision for unearned premiums (refer Note 3)	8,380	(321)	8,059	77,567	(505)	77,062
Earned premiums	3,245	(605)	2,640	80,524	(1,260)	79,264

5. CLAIMS INCURRED, NET OF REINSURANCE

	2017			2016		
	Gross £000	Reinsurance £000	Net £000	Gross £000	Reinsurance £000	Net £000
Claims paid						
Claims and allocated loss adjustment expenses paid	(54,567)	866	(53,701)	(72,108)	3,546	(68,562)
Unallocated loss adjustment expenses paid (refer Note 7)	(215)	-	(215)	(119)	-	(119)
	(54,782)	866	(53,916)	(72,227)	3,546	(68,681)
Change in the provision for claims (refer Note 6(a))						
Outstanding claims reserve movement	(13,781)	(953)	(14,734)	(7,815)	(2,808)	(10,623)
Claims incurred but not reported reserve movement	71,534	(3,402)	68,132	7,152	(1,970)	5,182
Unallocated loss adjustment expense reserve movement	1,118	-	1,118	484	-	484
	58,871	(4,355)	54,516	(179)	(4,778)	(4,957)
Claims incurred	4,089	(3,489)	600	(72,406)	(1,232)	(73,638)

6. TECHNICAL PROVISIONS

(a) Claims outstanding

	2017			
	Out-standing claims reserves £000	Claims incurred but not reported reserves £000	Unallocated loss adjustment expense reserves £000	Total claims out-standing £000
Gross				
At beginning of year	127,640	152,550	4,452	284,642
Exchange gain on retranslation of brought forward balances from last to this year closing rates	(2,318)	(5,285)	(112)	(7,715)
Increase/(decrease) during year (refer Note 5)	13,781	(71,534)	(1,118)	(58,871)
Exchange loss on retranslation of in-year movement from average to closing rates	354	1,238	17	1,609
At end of year	139,457	76,969	3,239	219,665
Reinsurers' share				
At beginning of year	2,562	3,544	-	6,106
Exchange loss on retranslation of brought forward balances from last to this year closing rates	(54)	(26)	-	(80)
Decrease during year (refer Note 5)	(953)	(3,402)	-	(4,355)
Exchange gain on retranslation of in-year movement from average to closing rates	10	11	-	21
At end of year	1,565	127	-	1,692

	2016			
	Out-standing claims reserves £000	Claims incurred but not reported reserves £000	Unallocated loss adjustment expense reserves £000	Total claims out-standing £000
Gross				
At beginning of year	113,203	146,422	4,636	264,261
Exchange loss on retranslation of brought forward balances from last to this year closing rates	6,740	15,249	337	22,326
Increase/(decrease) during year (refer Note 5)	7,815	(7,152)	(484)	179
Exchange gain on retranslation of in-year movement from average to closing rates	(118)	(1,969)	(37)	(2,124)
At end of year	127,640	152,550	4,452	284,642
Reinsurers' share				
At beginning of year	4,970	5,354	-	10,324
Exchange loss on retranslation of brought forward balances from last to this year closing rates	443	213	-	656
Increase/(decrease) during year (refer Note 5)	(2,808)	(1,970)	-	(4,778)
Exchange loss on retranslation of in-year movement from average to closing rates	(43)	(53)	-	(96)
At end of year	2,562	3,544	-	6,106

6. TECHNICAL PROVISIONS (continued)

(b) Movements in prior accident years' provision for claims outstanding

The following favourable/(adverse) changes were experienced during the year:

	2017			2016		
	Non-catastrophe losses £000	Catastrophe losses £000	Total losses £000	Non-catastrophe losses £000	Catastrophe losses £000	Total losses £000
Assumed treaty business						
Proportional reinsurance	8,890	-	8,890	11,480	700	12,180
Non-proportional reinsurance	(2,653)	-	(2,653)	(18,852)	400	(18,452)
Direct and assumed facultative business	1,832	-	1,832	577	-	577
	8,069	-	8,069	(6,795)	1,100	(5,695)

(c) Equalisation provision

	2017 £000	2016 £000
At beginning of year	-	6,847
Increase/(decrease) during year	-	(7,303)
Exchange (gain)/loss on retranslation	-	456
At end of year	-	-

The change in the equalisation provision during the year has had the effect of increasing the Statement of Comprehensive Income - Technical Account Balance, and the profit/(loss) before tax for the year, by £nil thousand (2016: £6,847 thousand increase). The effect of the release of the provision is to increase equity by £nil thousand (2016: £6,847 thousand decrease).

7. NET OPERATING EXPENSES

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£000	£000	£000	£000	£000	£000
Acquisition costs						
Acquisition costs	5,491	16	5,507	(269)	30	(239)
Profit commissions	3,287	1,416	4,703	(2,495)	(23)	(2,518)
Change in deferred acquisition costs (refer Note 19)	(1,750)	37	(1,713)	(14,550)	88	(14,462)
Change in deferred profit commissions (refer Note 19)	(109)	-	(109)	(116)	5	(111)
	6,919	1,469	8,388	(17,430)	100	(17,330)
Administrative expenses						
Gross administrative expenses	(4,610)	-	(4,610)	(4,948)	-	(4,948)
Transferred to unallocated loss adjustment expenses paid (refer Note 5)	215	-	215	119	-	119
Transferred to investment expenses	94	-	94	115	-	115
	(4,301)	-	(4,301)	(4,714)	-	(4,714)
Net operating expenses	2,618	1,469	4,087	(22,144)	100	(22,044)

8. INVESTMENT INCOME

	2017	2016
	£000	£000
Income from debt securities	5,716	6,810
Income from deposits with ceding undertakings and other deposits	6	32
Income from deposits with credit institutions and cash at bank and in hand	240	266
Income from participations in investment pools	121	283
	6,083	7,391

9. OTHER INCOME AND OTHER CHARGES

(a) Other Income

	2017	2016
	£000	£000
Rental income from sublease	133	137
Fee income from group undertakings	42	363
Other income	30	-
Foreign exchange gain	-	2,227
	205	2,727

9. OTHER INCOME AND OTHER CHARGES (continued)

(b) Other Charges

	2017 £000	2016 £000
Foreign exchange loss	(1,156)	-
Other charges	-	(4)
	(1,156)	(4)

10. CORPORATION TAX

(a) Tax (charge) / credit on profit / (loss) on ordinary activities

	2017 £000	2016 £000
United Kingdom corporation tax at 19.25% (2016: 20.00%)		
Current tax on income for the year	(1,884)	-
Adjustments in respect of previous financial years	1,438	-
Total current tax	(446)	-
United Kingdom deferred tax movements		
Origination and reversal of timing differences	330	365
Adjustment in respect of previous financial years	(1,295)	(14)
Total deferred tax movements (refer Note 10(d))	(965)	351
Tax on profit/(loss) on ordinary activities (refer Note 10(b))	(1,411)	351

10. CORPORATION TAX (continued)

(b) Factors affecting tax (charge) / credit for the year

The tax assessed on the profit on ordinary activities for the year is different than that resulting in applying the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017 £000	2016 £000
Profit/(Loss) on ordinary activities before tax	8,069	(2,177)
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the United Kingdom at 19.25% (2016: 20.00%)	(1,553)	435
Factors affecting charge:		
Expenses not deductible for tax purposes	(1)	(1)
Differences in tax rates	(1)	(69)
Adjustment in respect of prior periods	144	(14)
	142	(84)
Tax (charge)/credit for the year (refer Note 10(a))	(1,411)	351

(c) Components of current corporation tax debtors / (creditors)

	2017 £000	2016 £000
Corporation tax in respect of current financial year	(1,478)	984
Corporation tax in respect of prior financial year	1,219	39
Corporation tax debtor/(creditor) (refer Note 16, 23)	(259)	1,023

(d) Components of deferred tax assets / (liabilities)

	2017				
	At beginning of the year £000	Movement during the year - pure £000	Movement during the year - adjustment £000	Movement during the year - rate change £000	At end of the year £000
Tangible fixed assets depreciation less/ (greater) than capital allowances	234	(35)	58	-	257
Prepaid/accrued items	5	(3)	-	-	2
Doubtful debt provision	185	148	-	-	333
Claims equalisation reserves:	(1,047)	220	-	-	(827)
Losses carried forward:	1,353	-	(1,353)	-	-
	730	330	(1,295)	-	(235)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. With effect from 1 April 2017 the UK headline rate of corporation tax reduced from 20% to 19%, and will reduce further to 17% on 1 April 2020. The rate reductions to 19% and 17% were substantively enacted at the balance sheet date. The closing deferred tax balance is recognised at a blended rate between 19% and 17% based on when the deferred tax balance is estimated to reverse.

11. INVESTMENTS IN GROUP UNDERTAKINGS

	2017 £000	2016 £000
Historic cost		
At beginning of year	1,122	1,122
Disposals during the year	(1,122)	-
At end of year	-	1,122
Revaluation		
At beginning of year	1,561	4,066
Revaluation during year	608	(2,505)
Disposals during the year	(2,169)	-
At end of year	-	1,561
Net book value		
At end of this year	-	2,683
At end of last year	2,683	5,188

On 22 September 2017, Tokio Millennium Re (UK) Ltd agreed the sale of its wholly owned subsidiary, Tokio Marine Technologies LLC, to the ultimate parent Tokio Marine Holdings Inc, for a consideration of £3,291 thousand.

12. OTHER FINANCIAL INVESTMENTS

	2017 £000	2016 £000
Listed debt securities	326,927	312,429
Participations in investment pools	18,674	44,973
Deposits with credit institutions	29,527	14,361
	375,128	371,763

13. DEPOSITS WITH CEDING UNDERTAKINGS

	2017 £000	2016 £000
Deposits with cedants	1,503	2,069
	1,503	2,069

14. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2017 £000	2016 £000
Amounts falling due within one year		
Amounts due from non-group undertakings	47	78
	47	78

15. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2017 £000	2016 £000
Amounts falling due within one year		
Amounts due from non-group undertakings	11,450	18,104
Amounts due from group undertakings	1,620	4,092
	13,070	22,196

16. OTHER DEBTORS INCLUDING TAXATION AND SOCIAL SECURITY

	2017 £000	2016 £000
Amounts falling due within one year		
UK corporation tax receivable (refer Note 10(c))	-	1,023
Value added tax recoverable	30	123
Amounts due from group undertakings	1,267	934
Other debtors	-	22
	1,297	2,102

17. INTANGIBLE ASSETS

	2017 Computer software £000
Book cost	
At beginning of year	1,776
Additions during year	-
Disposals during year	-
At end of year	1,776
Accumulated amortization	
At beginning of year	1,773
Charge during year	3
Eliminated on disposals during year	-
At end of year	1,776
Net book value	
At end of this year	-
At end of last year	3

18. TANGIBLE ASSETS

	2017			
	Computer hardware £000	Furniture/ fixtures/ fittings and office equipment £000	Leasehold improve-ments £000	Total £000
Book cost				
At beginning of year	1,756	235	801	2,792
Additions during year	21	-	-	21
Disposals during year	-	-	-	-
At end of year	1,777	235	801	2,813
Accumulated depreciation				
At beginning of year	1,634	226	768	2,628
Charge during year	108	7	33	148
Eliminated on disposals during year	-	-	-	-
At end of year	1,742	233	801	2,776
Net book value				
At end of this year	35	2	-	37
At end of last year	122	9	33	164

The Company's tangible assets depreciation charge for the year ended 31 December 2016 was £385 thousand.

19. DEFERRED ACQUISITION COSTS

	2017		
	Deferred acquisition costs £000	Deferred profit commissions £000	Total deferred acquisition costs £000
Gross			
At beginning of year	2,323	167	2,490
Exchange (gain)/loss on retranslation of brought forward balances from last to this year closing rates	(105)	(3)	(108)
Increase/(decrease) during year (refer Note 7)	(1,750)	(109)	(1,859)
Exchange (gain)/loss on retranslation of in-year movement from average to closing rates	29	2	31
At end of year	497	57	554
Reinsurers' share			
At beginning of year	61	-	61
Exchange (gain)/loss on retranslation of brought forward balances from last to this year closing rates	(4)	-	(4)
Decrease during year (refer Note 7)	(37)	-	(37)
Exchange (gain)/loss on retranslation of in-year movement from average to closing rates	1	-	1
At end of year	21	-	21

19. DEFERRED ACQUISITION COSTS (continued)

	2016		
	Deferred acquisition costs £000	Deferred profit commissions £000	Total deferred acquisition costs £000
Gross			
At beginning of year	15,976	276	16,252
Exchange (gain)/loss on retranslation of brought forward balances from last to this year closing rates	1,670	9	1,679
Increase/(decrease) during year (refer Note 7)	(14,550)	(116)	(14,666)
Exchange (gain)/loss on retranslation of in-year movement from average to closing rates	(773)	(2)	(775)
At end of year	2,323	167	2,490
Reinsurers' share			
At beginning of year	132	5	137
Exchange (gain)/loss on retranslation of brought forward balances from last to this year closing rates	24	-	24
Decrease during year (refer Note 7)	(88)	(5)	(93)
Exchange (gain)/loss on retranslation of in-year movement from average to closing rates	(7)	-	(7)
At end of year	61	-	61

20. OTHER PREPAYMENTS AND ACCRUED INCOME

	2017 £000	2016 £000
Prepaid other expenses	260	66
Prepaid rent	-	477
Accrued income	-	546
	260	1,089

21. SHARE CAPITAL

	2017 £000	2016 £000
Allotted, called up and fully paid		
125,000,000 ordinary shares of £1 each	125,000	125,000
Authorised		
250,000,000 ordinary shares of £1 each	250,000	250,000

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is 5th Floor, 20 Fenchurch Street, London, EC3M-3BY, United Kingdom.

22. ONEROUS LEASE

The Company had a non-cancellable lease on its former office location at 10th Floor, 2 Minster Court, London EC3R 7BB. The lease was for a 10 year period which commenced 23 May 2007 and expired on 22 May 2017.

On 31 December 2014, the Company vacated this former office location and remained liable for the remaining rental charges until the lease expired. Accordingly, a provision had been recognised and this comprised of: anticipated dilapidation costs from expiry; net of utilities recovered from the sublease of the former office location.

	2017		
	Future rental income and utilities recovered	Future rental charges and dilapidation costs	Total
	£000	£000	£000
At beginning of year	(191)	324	133
Increase/(decrease) during year	191	11	202
At end of year	-	335	335

	2016		
	Future rental income and utilities recovered	Future rental charges and dilapidation costs	Total
	£000	£000	£000
At beginning of year	(421)	788	367
Increase/(decrease) during year	230	(464)	(234)
At end of year	(191)	324	133

23. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2017	2016
	£000	£000
Amounts falling due within one year		
Insurance premium tax payable	3	3
Employment tax payable	7	9
UK corporation tax payable (refer Note 10(c))	259	-
Other creditors - non-group undertakings	-	172
Other creditors - group undertakings	135	-
	404	184

24. OTHER ACCRUALS AND DEFERRED INCOME

	2017	2016
	£000	£000
Accrued professional fees	282	345
Accrued outsourcing fees	151	56
Accrued rent	35	-
Accrued other expenses	579	1,956
	1,047	2,357

25. STAFF COSTS

(a) Staff numbers

	2017 Number	2016 Number
Average number of employees (including directors) employed during the financial year		
Underwriting	2	3
Claims	1	2
Risk	2	4
Finance	3	4
IT	2	3
Administration, Human Resources and Compliance	1	2
Management	5	5
	16	23

(b) Staff costs

	2017 £000	2016 £000
Aggregate payroll costs of employees (including directors) employed during the financial year		
Wages and salaries	978	1,301
Social security costs	88	324
Other pension costs	61	78
	1,127	1,703

The pension costs above represent the Company's contributions to defined contribution pension schemes. Pension costs of £0 thousand were unpaid at the year end (2016: £28 thousand).

26. DIRECTORS' EMOLUMENTS

	2017 £000	2016 £000
Aggregate emoluments	115	140
Sums paid to third parties for directors' services	90	87
	205	227

	2017 £000	2016 £000
Highest paid director		
Aggregate emoluments	115	140
	115	140

The highest paid director did not exercise share options or receive shares in respect of qualifying services under any long term incentive scheme (2016: none).

No season ticket travel loans (2016: £nil) were granted to any directors during the year. The loan amount outstanding at year end was £nil (2016: £nil).

No compensation for loss of office was paid to any directors (2016: £nil).

£nil pension benefits unpaid (2016: £12 thousand) accrued to directors under the Company's defined contribution scheme.

No guarantees (2016: £nil) on behalf of any directors were granted during the year.

27. AUDITORS' REMUNERATION

During the year, the Company obtained the following services from its auditor:

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	105	109
Fees payable to the Company's auditor for other services	72	126
	177	235

28. GUARANTEES, FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guarantees

A credit facility with the Bank of Tokyo-Mitsubishi has been extended for USD 1,984 thousand, CAD 44 thousand and AUD 153 thousand at the end of the financial year (2016: USD 2,137 thousand and CAD 44 thousand) pursuant to the issuance of several letters of credit to policyholders/cedants in the United States of America, Canada and Australia.

A credit facility with Mizuho Trust and Banking has been extended for USD 4,613 thousand at the end of the financial year (2016: USD 4,613 thousand) pursuant to the issuance of several letters of credit to policyholders/cedants in the United States of America.

(b) Annual commitments

Annual commitments in respect of non-cancellable operating leases are as follows:

	2017 Land and Buildings £000	2016 Land and Buildings £000
Operating leases which expire:		
Within one year	-	212
Between one and five years	-	-
	-	212

Rent expenses for the year ended 31 December 2017 were £247 thousand (2016: £569 thousand) for the Company.

29. RELATED PARTY TRANSACTIONS AND BALANCES

	2017	2016
	Balances Net Debtor/ (Creditor) £000	Balances Net Debtor/ (Creditor) £000
Wholly-owned by Tokio Marine Holdings Inc		
Tokio Millennium Re AG	(135)	407
Kiln Underwriting Limited	1,242	-
Tokio Marine Kiln Insurance Services Limited	25	(19)
Syndicate 1880 managed by Tokio Marine Kiln Syndicates Limited	593	(320)

	2017		2016	
	Transactions Net Income/ (Expense) £000	Balances Net Debtor/ (Creditor) £000	Transactions Net Income/ (Expense) £000	Balances Net Debtor/ (Creditor) £000
Partially-owned by Tokio Marine Holdings Inc				
Syndicate 510 managed by Tokio Marine Kiln Syndicates Limited	11,326	1,027	(8,339)	3,871

30. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

Tokio Marine & Nichido Fire Insurance Co. Ltd. (Japan) is the immediate parent. This company's registered office is located at 2-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8050, Japan.

Tokio Marine Holdings Inc. (Japan) is the ultimate controlling party and parent undertaking of the largest group of undertakings to consolidate these financial statements for the current year end. This company's registered office is located at Tokyo Kaijo Nichido Building Shinkan 13F, 1-2-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan.

Tokio Marine & Nichido Fire Insurance Co. Ltd. (Japan) is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

Copies of both companies' financial statements are available from the addresses provided above.