HCC International Insurance Company plc, London – Zürich Branch

Financial Condition Report

31 December 2018

Contents

Branch Manager & Directors’ Statement

Branch Manager

The Branch Manager is Philip Jung.

Statement of Branch Manager’s Responsibilities

I acknowledge my responsibility for preparing the Financial Condition Report in all material respects in accordance with the Swiss Financial Market Supervisory Authority ("FINMA") rules and regulations.

I am satisfied that:

a) throughout the financial year in question, HCC International Insurance Company Plc, London, Zürich Branch (‘the Branch’) has complied in all material respects with the requirements of the FINMA rules and regulations as applicable to the Branch; and
b) it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

I acknowledge my responsibility for preparing the Branch FCR in all material respects in accordance with the FINMA rules and regulations.

Philip Jung
Branch Manager, HCC International Insurance Company Plc, London, Zürich Branch
30 April 2019

HCC International Insurance Company Plc (‘HCCII’) Directors

The directors set out below have held office from 1 January 2018 to the date of this report unless otherwise stated:

S A Button
B J Cook
T J G Hervy
N I Hutton-Penman
H Ishii (non-executive)
K L Letsinger
N C Marsh (non-executive Chairman)
H-D Rohlf (non-executive)
C Scarr (non-executive)
G R A White

Statement of Directors’ Responsibilities

We acknowledge our responsibility for preparing the Financial Condition Report in all material respects in accordance with the Swiss Financial Market Supervisory Authority ("FINMA") rules and regulations.

We are satisfied that:

a) throughout the financial year in question, HCC International Insurance Company Plc, London, Zürich Branch (‘the Branch’) has complied in all material respects with the requirements of the FINMA rules and regulations as applicable to the Branch; and
b) it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

We acknowledge our responsibility for preparing the Branch FCR in all material respects in accordance with the FINMA rules and regulations.

This report was discussed and reviewed by the Directors and the Branch Manager. It was signed off on 29 April 2019.

On behalf of the Board,

Graham White
Chief Risk Officer

30 April 2019

Executive Summary

The following Financial Condition Report ('FCR') has been prepared to provide information to the Swiss Financial Market Supervisory Authority ('FINMA') about the financial and capital position of HCC International Insurance Company Plc, London, Zürich Branch ('the Branch'), for Country reporting purposes. The Branch underwrites business for HCC International Insurance Company Plc ('HCCII') within the group in Switzerland. The report sets out the Business Activities and Performance of the Branch, in line with the requirements of Chapter IV of FINMA-RS 16/2 "Disclosure - Insurers (Public Disclosure)".

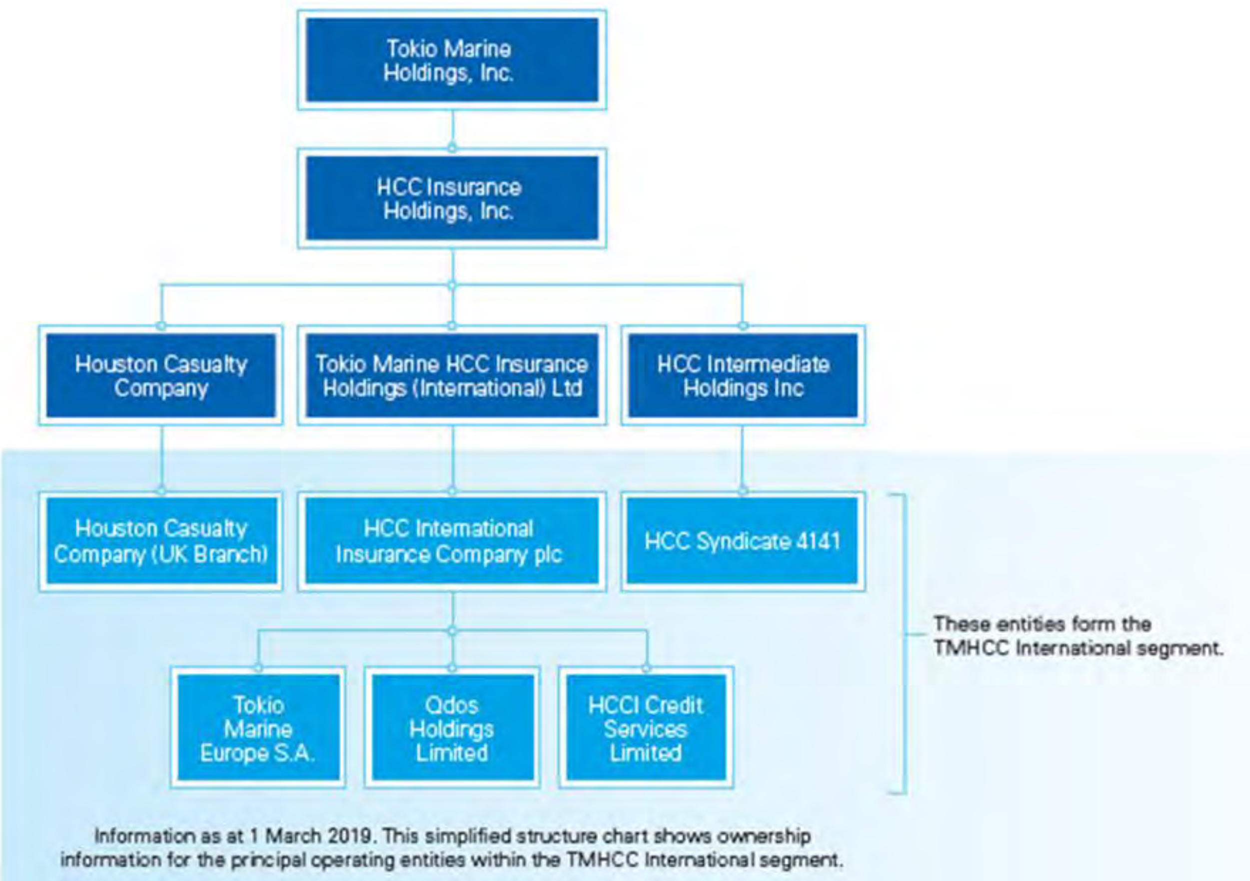
Business

HCC International Insurance Company Plc, London, Zürich Branch ('the Branch') is a branch of HCC International Insurance Company Plc ('HCCII' or 'the Company'). HCCII utilises the Branch to write the following three main lines of business, namely Energy, Financial Lines and HCC Credit, with the Branch representing just under 3% of the gross written premium of HCCII.

HCCII is the main risk carrier for Tokio Marine HCC Insurance Holdings (International) Limited ('TMHCCIH(I)'). TMHCCIH(I) is a wholly owned subsidiary of Tokio Marine Holdings, Inc. ('TMHD'). Prior to TMHD acquiring HCC, HCC Insurance Holdings, Inc. was the ultimate parent and now remains an intermediate holding company.

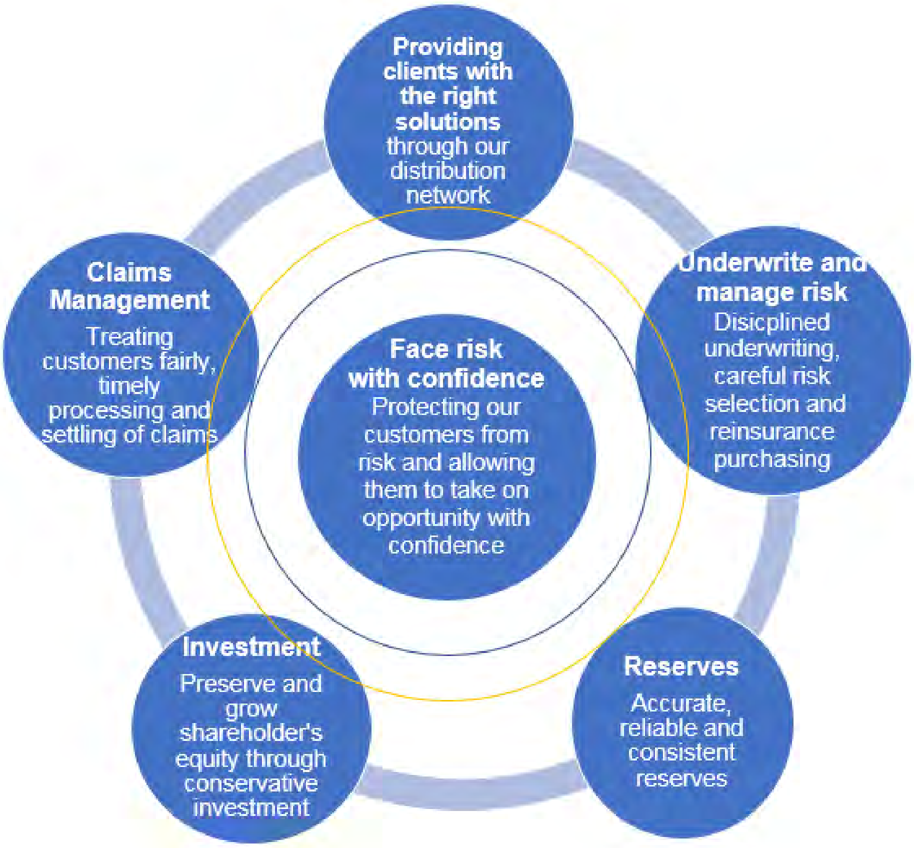
HCCII is part of the Tokio Marine HCC International Group ('TMHCC International'), which includes the UK based insurance platforms HCCII, Houston Casualty Company London Branch and Lloyd's Syndicate 4141.

The simplified schematic below shows how HCCII fits into the wider group structure. A more detailed structure chart may be found towards the end of Section A.



TMHCC International has a continuing strategic goal to build a portfolio of specialty niche products in the International insurance market place. TMHCC International underwrites and manages its products through two segments, London Market and Specialty.

TMHCC International's business model is built upon fundamental principles which position policyholders with confidence about their risk decisions. Specifically, focused underwriting expertise combined with a good distribution network enables TMHCC International to provide the right solutions to clients. Skilful and sustainable reinsurance purchasing, careful investment of premium, conservative reserving and fair claims handling provides TMHCC International with a solid foundation upon which to apply TMHD's 'Good Company' approach to business.



A significant unusual event is the United Kingdom's potential departure from the European Union (EU). To mitigate this risk, in February 2018, TMHCC International established a new European subsidiary, Tokio Marine Europe S.A.('TME'), based in Luxembourg. Although the creation of TME has a significant impact on the Company as a whole, it is unlikely to have any material impact on the risk profile or running of the Branch.

Performance

A summary of the profit and loss statement for the year ending 31 December 2018for the Zürich Branch, is shown in the table below. In addition, to put it in context, there is comparison to the full Company results.

31 December 2018 USD/CHF '000	*Company* *USD*	Zürich Branch USD	**Zürich Branch** **CHF**
Underwriting Result (Technical Account, excluding Investment Income)	*83,890*	(1,156)	**(1,129)**
Net earned investment income	*22,630*	65	**64**
Net unrealised losses on financial investments (exc. FX)	*(19,196)*	44	**44**
Net FX gains / (losses) of revaluation on monetary items	*11,094*	(279)	**(274)**
Other income / (charges)	*(10,302)*	-	**-**
Profit on ordinary activities before tax	*88,116*	(1,326)	**(1,295)**
Tax	*(15,639)*	673	**657**
Profit on ordinary activities after tax	*72,477*	(653)	**(638)**
Profit attributable to:			
Owners of the Company	*72,477*	(653)	**(638)**
Non-controlling interests	*-*	-	**-**
Profit on ordinary activities after tax	*72,477*	(653)	**(638)**

The Zürich Branch made a net loss before tax for the financial year of CHF1.3 million / $1.3 million (2017: profit of CHF9.3 million / $9.5 million). This compares to a corresponding full Company result of $88.1 million (2017: $77.2 million). The Zürich Branch result is driven by the underwriting result, which arises from adverse incurred claims results, primarily in the Financial Lines, Energy and HCC

Credit reporting units. Financial Lines net incurred claims of CHF5.9 million included CHF4.4 million in respect of Credit Suisse Group AG on 2014 to 2016 underwriting years.

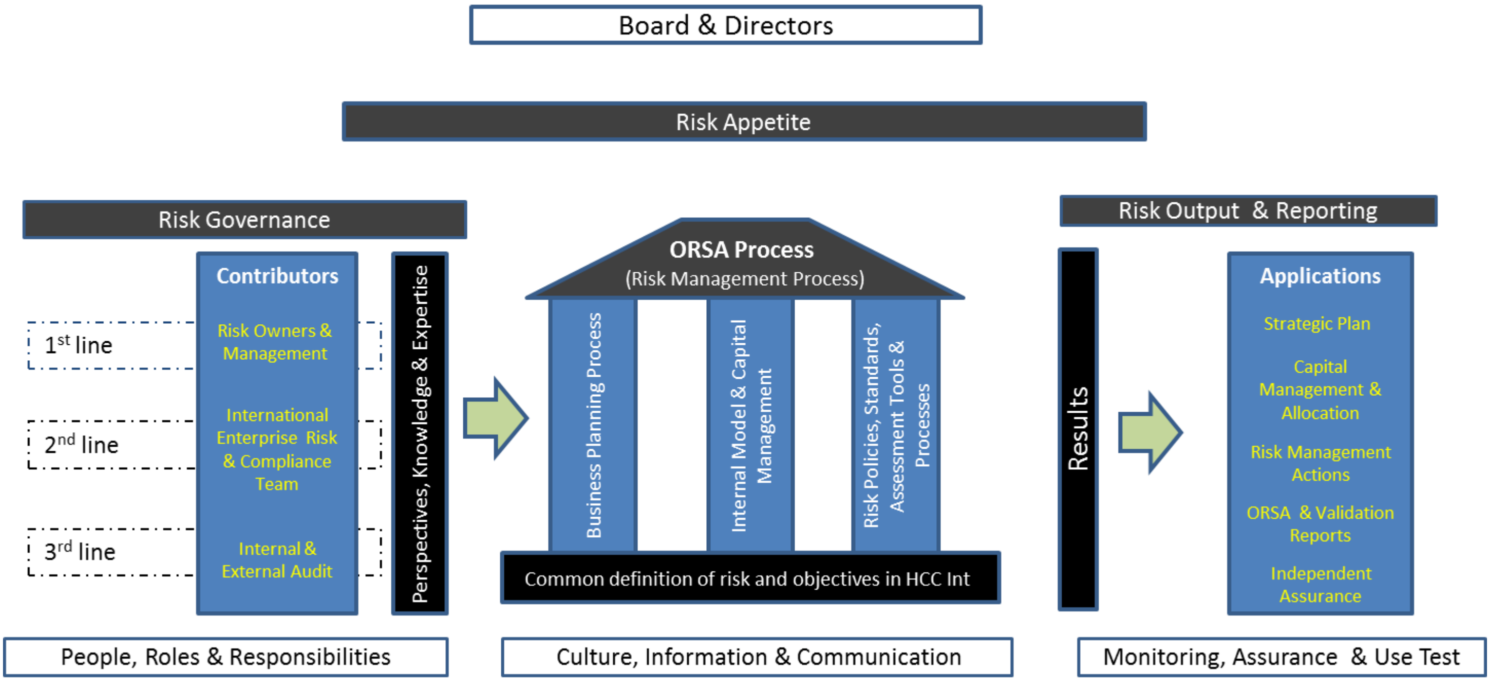
System of Governance

Oversight of the Company's and the Branch's business and its operations starts with the Company's Board, which has overall responsibility for management of the Branch and the Company. All authority in the Company and Branch flows from the Board but it delegates to sub-committees the matters set out in their respective terms of reference. Each year the overall governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

The Company believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. The Company achieves this through a strong risk culture articulated by effective ERM senior leadership and embodied by management at all levels through its governance structure and risk management processes.

The Company's approach to managing its risk, which is in line with the Company's business strategy, is to: i) Adopt an integrated approach to risk management; ii) Aim to manage risk to a desired level and minimise the adverse effects of any residual risk; iii) Coordinate the management of risk via the Risk & Capital Management Committee and other committees that report to the Board; iv) Manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues as part of the normal business planning process; v) Ensure that there are appropriate policies and procedures in place; vi) Ensure that staff are appropriately trained.

The Company operates a traditional 'three line of defence' risk governance framework which means that it coordinates risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms. The diagram below illustrates the various facets of our risk framework; how these interact with one another and the responsibilities of those staff in the first, second and third line of defence.



A key element of the risk management framework is the ORSA process, defined to be 'the entirety of the processes and procedures employed to identify, assess, control and report the short and longer term risks faced by the business and to determine the assets necessary to ensure that the overall capital needs (solvency and economic) are met at all times'. The ORSA considers risk, capital performance and strategy. It provides Executive Management with adequate and accurate information enabling the taking of key decisions regarding the overall risk and capital profile of the business.

Generally, the risk management, internal control systems and reporting procedures are aligned between both the Branch and the Company. The information contained within the remainder of this section, therefore, relates to the Corporate Governance and Risk Management for the Company.

Within Switzerland, the Branch General Manager is resident. All other activities occur elsewhere within the Company. The underwriting activities of the Swiss branch are conducted by underwriters located at the London and Barcelona offices. Claims are handled by the TMHCC International Claims team in London and Barcelona and financial reporting requirements are also managed in London. In addition, other back office functionality (such as tax reporting, IT, HR, Compliance, Enterprise Risk and Internal Audit) is provided by London. Each of the underwriting, claims and operational processes performed are done so in accordance with the control framework, outlined later in the section.

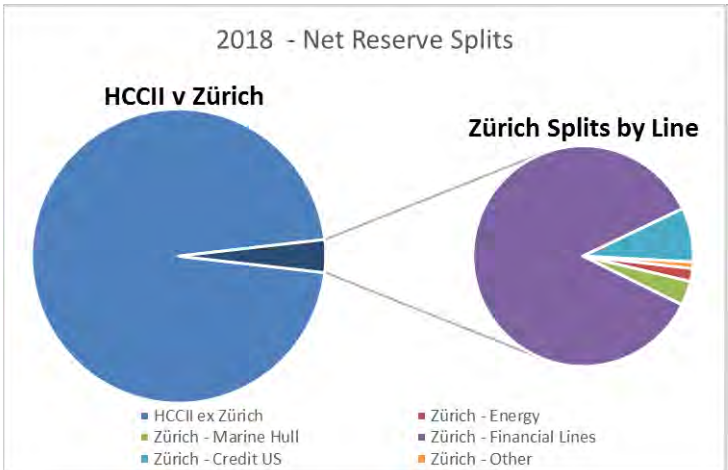
On a monthly basis, a conference call is held between the Branch's General Manager, Finance, IT and Compliance (both in London and Barcelona) to discuss operational matters and any issues arising. This allows for discussion of any changes to the risk profile or any corporate governance updates from both a branch and parent company perspective. The conference call is subject to the usual governance applicable to any oversight group or committee meeting of HCCII, i.e. an agenda is produced for each meeting, with a subsequent set of minutes and action points.

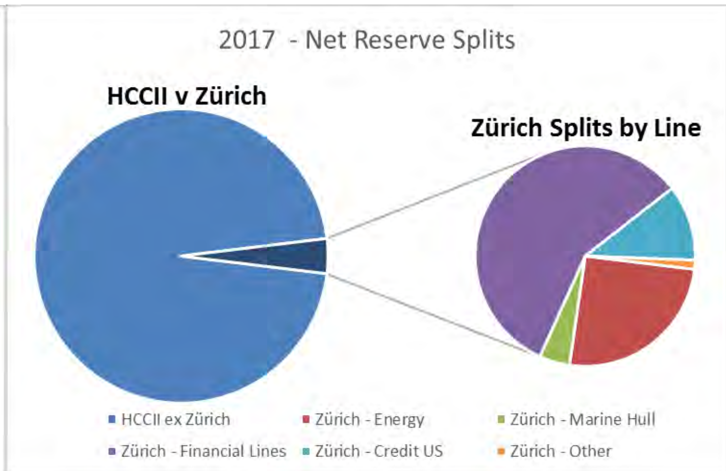
On a quarterly basis, the London Finance team produces a report, providing year to date information on written premium, claims and the overall underwriting result. A balance sheet is also included in the report. This report is provided to the Branch's General Manager and the heads of the Compliance teams in London and Barcelona.

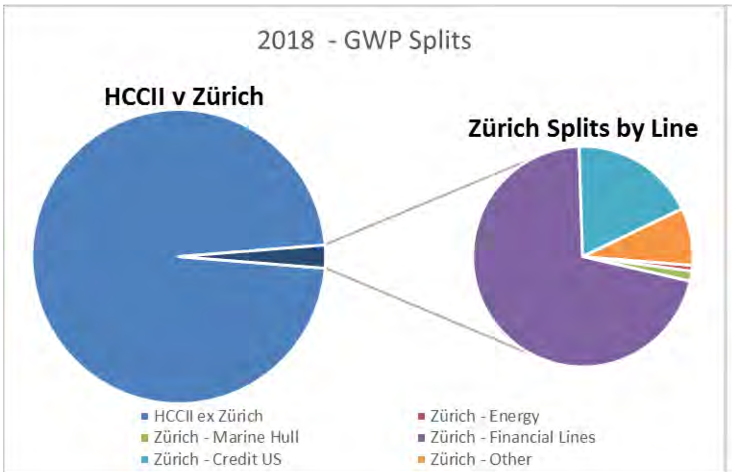
Risk Profile

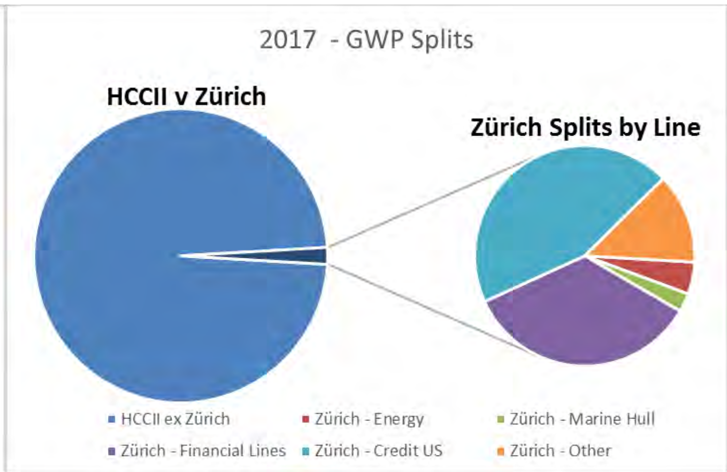
TMHCC International has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. The Company maintains a risk register and categorises its risks into six areas: Insurance; Strategic, Regulatory and Group; Market; Operational; Credit and Liquidity.

The overwhelming key risk for both the Company and the Branch is Insurance Risk. The pie charts below show the concentration of net reserves and Gross Written Premium ('GWP') between the lines, for Q4 2018 and Q4 2017. They also show the Branch in the context of the overall Company reserves and premiums, where they make up just under 4% of the company's reserves and about 2% of GWP.









Both Branch split pie charts seem to indicate a change in profile of both the net reserves and the GWP. However, it should be noted that the reduction seen on Zürich-Energy net reserves reflects the payment of one large claim in early 2018.The increase in the Financial Lines GWP relates to a relatively large eighteen month policy that was renewed in 2018 and which, therefore, was not written in 2017.

The table below provides a summary of how the Company and the Branch mitigate the main risk areas.

Risk	Mitigating actions/factors
Insurance	• An underwriting strategy that seeks a diverse and balanced portfolio of risks • A reserving policy to produce accurate and reliable estimates that are consistent over time and across classes of business • Setting and regularly monitoring risk appetites • Individual authority limits for all employees authorised to underwrite and business plans for each line of business • Claims teams focused on delivering quality, reliability and timely service to both internal and external clients • Using reinsurance to protect the Group's balance sheet • Monitoring exposures using modelling tools
Strategic, Regulatory and Group	• Setting and regularly monitoring risk appetites • A management structure that encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled • Operating across the TMHCC Group with clear and open lines of communication to ensure all TMHCC Group entities are well informed and working towards common goals
Market	• Investment Committee has an objective to ensure funds are invested in accordance with the 'prudent person principle', whereby: i) assets are of appropriate security, quality and liquidity; ii) are adequately diversified and are localised; and iii) broadly match the liabilities. • Adhering to an investment risk appetite which form part of the Group's overall risk appetites • Setting and regularly monitoring risk appetites • Independent investment experts assist with the implementation of the investment strategy and monitoring of the economic environment and investment performance
Operational	• Performing business activities in a fair, honest and transparent manner that complies fully with applicable UK and International legal and regulatory requirements, and internal policies and procedures • Setting and regularly monitoring risk appetites • Scenario testing and modelling operational risk exposure • Management review of operational activities, including IT and IT security • Documented policies and procedures • Ensuring key processes include preventative and detective controls • Business Continuity and contingency planning • Established and embedded systems controls
Credit	• Setting and regularly monitoring risk appetites • Limiting exposure to a single counterparty or a group of counterparties • Established guidelines and approval procedures for counterparties
Liquidity	• Liquidity management: o using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return; and o so that the Group can reasonably survive a significant individual or market loss event

Foreign Currency Translation

The Branch's accounting records are maintained in US Dollars, the Branch's functional currency, and its reporting currency is Swiss Francs. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. At each period end, foreign currency assets and liabilities are translated using the closing rate.

The foreign exchange rates used for the translation of functional currency to reporting currency are set out as follows: a) assets and liabilities at the closing rate at the balance sheet date which for Swiss Francs was CHF 1 = US$1.0169 (2017: US$1.0245); and b) income and expenses at monthly rates during the year. The average rate for the year for Swiss Francs was CHF 1 = US$1.0243 (2017: $1. 0182).

Section A – Business Activities

Overview

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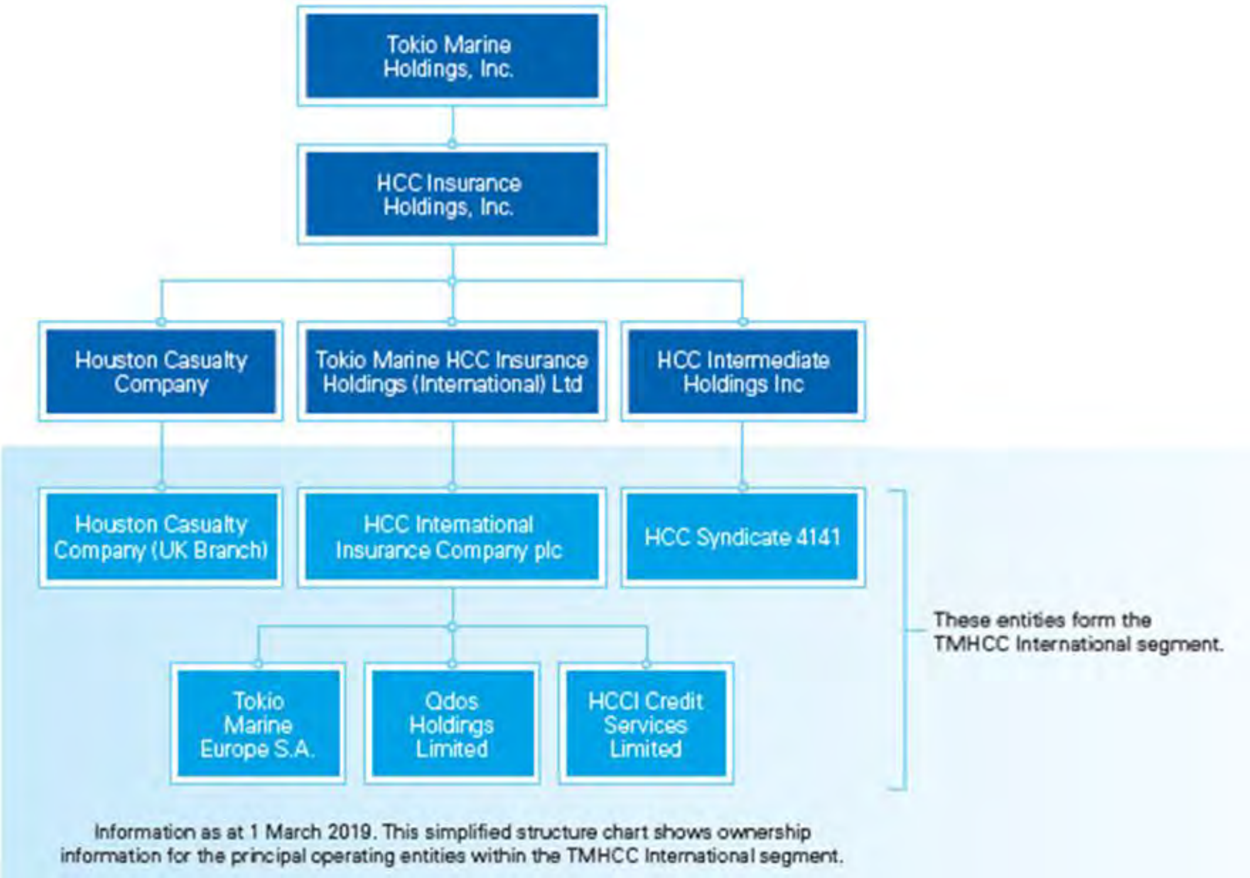
HCCII is the main risk carrier for Tokio Marine HCC Insurance Holdings (International) Limited ('TMHCCIH(I)'). TMHCCIH(I) is a wholly owned subsidiary of Tokio Marine Holdings, Inc. ('TMHD'). Prior to TMHD acquiring HCC, HCC Insurance Holdings, Inc. was the ultimate parent and now remains an intermediate holding company.

HCCII is part of the Tokio Marine HCC International Group ('TMHCC International'), which includes the UK based insurance platforms HCCII, Houston Casualty Company London Branch and Lloyd's Syndicate 4141.

The simplified schematic below shows how HCCII fits into the wider group structure. A more detailed structure chart may be found towards the end of this Section.



TMHCCIH(I) Information

TMHCCIH(I) is a private company limited by shares and is a wholly owned subsidiary of Tokio Marine Holdings, Inc. ('TMHD') whose head office is located in Tokyo, Japan. TMHD is a leading international insurance group, which has 249 subsidiaries, and 22 affiliates worldwide. TMHD undertakes non-life and life insurance and operates within the financial and general business sector (including consulting and real estate).

TMHD acquired HCC Insurance Holdings, Inc. on 27 October 2015. Prior to that date, the Group's ultimate parent was HCC Insurance Holdings, Inc., whose head office is located in Houston, Texas. HCC Insurance Holdings, Inc. is now an intermediate holding company of the Group and continues to manage the Tokio Marine HCC group. HCC Insurance Holdings, Inc. is AA- rated.

TMHCCIH(I), and its subsidiaries, provides general insurance and related services. The principle subsidiaries are HCC International Insurance Company Plc ('HCCII' or 'the Company'), Tokio Marine Europe S.A, Qdos Holdings Limited and HCC Credit Services Limited. These are all described in more detailed under 'Company information' and a detailed Group structure may be found at the end of Section A1.

HCCII Information

HCCII is a wholly owned subsidiary of TMHCCIH(I) and is a private company limited by shares.

HCCII is an international insurance company authorised under the Financial Services and Markets Act (2000) and is regulated by both the Prudential Regulation Authority and the Financial Conduct Authority to transact general insurance. The principal activity of HCCII is the transaction of general insurance and reinsurance business in the United Kingdom and Continental Europe where it currently benefits from an EEA Freedom of Services passport to write across the European Union member states. HCCII has branches established in Spain, Republic of Ireland, Germany, Italy, France, Switzerland and Norway. All branches (except for the Swiss Branch) are being transferred to TME and, from 01 January 2019, all Tokio Marine HCC European business will be written through TME.

HCCII has three subsidiaries, as follows:

- Tokio Marine Europe S.A., a subsidiary of HCCII, has been set up and licensed in Luxembourg with a AA- S&P rating to write all Tokio Marine European business from 01 January 2019. TME's lines of business will be a combination of the lines previously written by HCCII and affiliate Tokio Marine Kiln Insurance Limited ('TMKI'), which is also a TMHD group company, directly or through the existing European branch networks. These lines of business will be divided into three main reporting segments, namely: Specialty; London Market; and European Property & Casualty. In 2018, the Group and TMKI also began the legal process (Part VII transfer) to transfer the existing insurance and reinsurance contracts that had historically been underwritten by their European branches and all branch employees to TME.
- Qdos Holdings Limited, an underwriting agency based in Leicester which was purchased during 2018 by HCCII. Through its subsidiary, Qdos Broker and Underwriting Services Limited, it is focused primarily on the distribution of Professional Indemnity (PI), Employers and Public Liability (EL/PL) and Tax Enquiry and Liability (TEL) insurance to the growing UK small contractor market via Qdos Shop, an online digital distribution platform.
- HCC Credit Services Limited is a data and information provider to the credit insurance market.

HCCII is part of the Tokio Marine HCC International Group ('TMHCC International'), which includes the insurance platforms HCCII, Houston Casualty Company London Branch and Lloyd's Syndicate 4141. The TMHCC International underwriters write business on the international platforms based on prescribed rules which determine which carrier is utilised. Licensing, distribution or client choices are the principle determinants of the platform utilised. Lines underwritten include Property Treaty, Property Direct and Facultative, Accident and Health, Energy and Marine, Professional Risks, Financial Lines, Credit and Political Risk, Surety and Contingency. The majority of Financial Lines is underwritten through HCC Global Financial Products S.L. ('HCCG'), which is a wholly owned subsidiary of TMHD. The Group has continued to grow in recent years, despite difficult trading conditions, as it makes use of the Tokio Marine franchise, its European licenses, and continues to add to its international product offerings.

Zürich Branch Information

The Zürich Branch was registered on 19 December 2007, under the laws of Switzerland and is regulated by the Swiss Financial Market Supervisory Authority ('FINMA').

The principal purpose of the Branch is to write general commercial insurance and further insurance company related activities specified in its registration.

HCCII utilises the Branch to write the following three main lines of business, namely Energy, Financial Lines and HCC Credit, which are described in more detail below. The underwriting activities of the Branch are conducted by underwriters located at the London and Barcelona offices. Claims are handled by the TMHCC International Claims team in London and Barcelona and financial reporting requirements are also managed in London.

The Branch annual business plan indicates that the forward looking strategy is to write similar business as to what has been previously written, with regards to exposure and volume and on a quarterly basis, a report is produced by the Finance team. Results of underwriting performance, claims experience and expenses and investment income are detailed and provided to the General Manager of the Swiss branch. The Branch follows the general business model and strategy of the TMHCC International, which are outlined in the next two sub-sections.

Energy

The Branch's Energy products offer cover to Energy companies or the captives of Energy companies involved in upstream exploration, production, development, processing, storage and transportation of onshore and offshore oil and gas. There are currently good relationships with all the key London market brokers and clients include drilling and service contractors, independent and multinational oil and gas companies and midstream operators.

Financial Lines

The Branch is utilized purely by HCC Global for our Swiss domiciled insureds and the following products are presently offered through the Branch: D&O (including POSI), E&O. Crime, BLD, EPL, PTL, TRI, Stand Alone Cyber and K&R. The majority of the book is excess business. Approximately 55% is D&O for both commercial and FI industries while the remainder is split between the other lines.

A material proportion of policies written under this line of business have an 18 month duration.

HCC Credit

The Branch is utilized for our Swiss domiciled insureds and can offer trade credit for banks (including Letters of Credit and structured trade finance transactions), political risk (including contract repudiation/frustration, confiscation etc. of fixed and mobile assets, political violence) and short- and medium- term single and multiple debtor export and domestic trade credit.

Business Model

TMHCC International's business model is built upon fundamental principles which position policyholders with confidence about their risk decisions. Specifically, focused underwriting expertise combined with a good distribution network enables TMHCC International to provide the right solutions to clients. Skilful and sustainable reinsurance purchasing, careful investment of premium, conservative reserving and fair claims handling provides the Group with a solid foundation upon which to apply TMHD's 'Good Company' approach to business.

<u>Face risk with confidence</u>

In 2018, TMHCC International had two core underwriting segments; International Specialty and London Market.

The International Specialty lines of business are comprised of:

- Professional Risks;
- Financial Lines;
- Credit and Political Risk;
- Surety; and
- Contingency.

The London Market division includes the following lines of business:

- Property Treaty
- Property Direct and Facultative
- Accident and Health
- Energy & Marine

TMHCC International writes London Market and International Specialty products from its UK offices, European branches and across the rest of the EEA via Freedom of Services authorisations and accepts inwards reinsurance risks from United States, Canada, Australia and the rest of the world where its licenses permit. Apart from some small Personal lines contracts written as part of the Accident and Health, Marine and Contingency business, all business written by TMHCC International is Commercial lines.

In 2019, following the creation of TME and the merger of some activities of our affiliate TMKI in Europe, TMHCC International will add a new division (European Property & Casualty (P&C)) which is focused on supporting large Japanese clients by providing them with insurance solutions to their risks located in the EEA.

Providing clients with products through the distribution network
TMHCC International provides customers with products through its distribution network.
The International Specialty and London Market products underwritten by TMHCC International are distributed to clients through established broker (wholesale, regional and specialty), underwriting agency and coverholder relationships. Additionally, Credit, Surety and Professional Risks business is written through online distribution portals.

Underwriting and managing risk
Underwriting and managing risk is central to TMHCC International's business. It focuses on underwriting profitable business through careful risk selection and reinsurance purchasing to preserve shareholder's equity and to meet its targeted risk adjusted return. To ensure risks are correctly priced, TMHCC International's experienced and technical underwriters underwrite each risk individually, assessing a range of factors including but not limited to: financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models. For certain areas where distribution is held by coverholders or brokers, TMHCC International does delegate underwriting however this is usually done using standard rating sheets and referral controls for risk that require non-standard pricing

Reserves
TMHCC International's 's reserving policy safeguards reliable and consistent reserve estimates across classes of business, maintaining overall reserves at, or above, the actuarial midpoint. The reserving process is supported by the governance framework which ensures internal robust review of reserves is carried out at least quarterly, together with annual independent assurance.

Investment
TMHCC International has a conservative investment strategy that aims to preserve and grow shareholder's equity and maximise net investment income after-tax. To achieve this investment strategy, funds are invested in accordance with the Solvency II risk-based approach to investments and the 'prudent person principle', which ensures that assets are of appropriate security, quality and liquidity; are adequately diversified; and broadly match its liabilities.

Claims Management
TMHCC International understands the importance of the claims settlement process to its clients and how it approaches the management and settlement of its claims provides a key opportunity for TMHCC International to differentiate itself from its competitors. The claims teams are focused on delivering a quality, reliable and efficient claims service by adjusting and processing claims fairly; in a timely manner; in accordance with the policy's terms and conditions; and the conduct rules.

Strategy

TMHCC International's fundamental business philosophy is to produce an underwriting profit (before investment income) while managing risk to maximise net earnings and grow shareholder value. In order to achieve this TMHCC International's strategy is centred on selective and focused management of a diversified portfolio of businesses; continued expansion of the its brand with presence in the UK regional market, the London Market and throughout the rest of Europe; identification and development of opportunities to grow its business; and maintenance of the management, organisational and governance structure which is appropriate for and supports TMHCC International's growing business.

TMHCC International has consistently delivered its strategic plan because of its key strengths.

- **Diversified portfolio of specialty business –** TMHCC International writes a diverse and balanced portfolio of risks across its specialty lines of business which limits volatility and enables TMHCC International to consistently achieve an underwriting profit. A balanced portfolio is achieved by writing a spread of business over time, segmented between different products, geographies and sizes; and differentiating itself from competitors either in product offering, customer service or market positioning.

- **Operational efficiency –** the TMHCC International segment utilise a single integrated operating model and manages its portfolio by line of business, providing operational efficiencies across the TMHCC International segment from which TMHCC International benefits.

- **Skilled and entrepreneurial management –** TMHCC International has a flat operational structure with an experienced and entrepreneurial management team. This enables flexible adaptation to the changing business environment, resulting in faster decision making and responsiveness to opportunities.

- **Prudent risk management –** TMHCC International's conservative risk appetite and approach to risk management ensures that risks are identified, monitored and mitigated. Reinsurance is one of the most important risk mitigation tools used to limit exposure, reduce the volatility of various lines of business and preserve capital.

- **Financial security –** TMHCC International has a very strong security (HCCII and TME both have S&P Ratings of AA-), providing them with the knowledge and comfort that their insurer will be there to honour its obligations when called upon to do so. Financial strength is a key differentiator for the Credit, Surety and Financial Lines businesses' and allows TMHCC International to access the highest quality risks where an insurer's financial strength carries a premium.

Generating value

TMHCC International shares the TM Group's '**Good Company'** vision, and the core principles of this vision guides how TMHCC International creates sustainable value for all its stakeholders: customers, employees, distribution network, suppliers, shareholders and the community.

To deliver its strategy TMHCC International relies on the following key resources and relationships to support the generation and preservation of value throughout all aspects of its business model.

- **Financial Capital –** TMHCC International has a strong balance sheet; its capital exceeds regulatory requirements and HCCII and TME both have a financial strength rating of AA- from S&P. TMHCC International's financial performance generates value for its shareholder.
- **Employees and Intellectual Capital –** The knowledge, skills and expertise of TMHCC International's employees are as diverse as the risks it writes. This ensures that it has the right mix of expertise to support its business model and continue to deliver strong and consistent performance.
- **Stakeholders –** TMHCC International recognises the importance of its key stakeholder relationships, including: clients, distribution network, shareholder, regulators and suppliers. TMHCC International's relationships with its stakeholders are vital to its ongoing success. The actions it takes in respect of those stakeholder relationships are detailed in sections [xx].

Technology – TMHCC International has technology solutions which generate value in all areas of its business and these include: catastrophe modelling and aggregation tools; e-distribution portals for our Credit, Surety Contingency, Event Cancellation and Professional Risks lines of business; capital modelling tools; policy and claims administration.; reinsurance calculation; and IT security software to increase its IT resilience. These solutions provide increased operational efficiencies which benefit TMHCC International's employees, distribution network and customers.

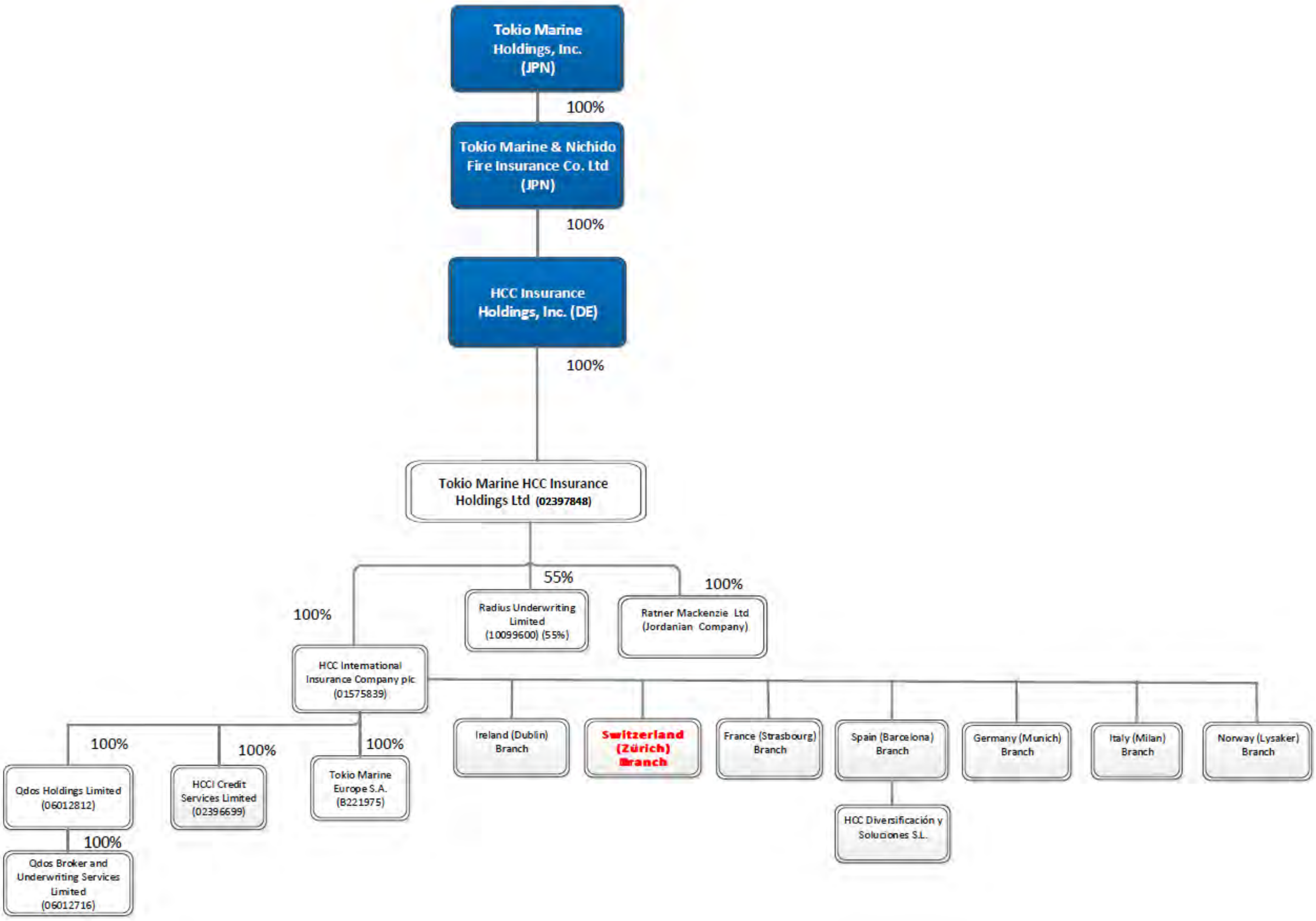
Auditor and Regulatory Bodies

The regulatory supervisor and external auditor for the Branch are set out below:

Branch Supervisor	*Branch Auditors*
Swiss Financial Market Supervisory Authority (FINMA)	PricewaterhouseCoopers AG
Laupenstrasse 27, 3003	Birchstrasse 160, 8050
Bern	Zurich

Group Structure

TMHCCIH(I)'s immediate parent is HCC Insurance Holdings, Inc. which is based in Houston, United States of America, and holds 100% of the share capital of TMHCCIH(I). A detailed schematic of the organization structure of the TMHCCIH(I) group is shown below, followed by brief descriptions of each of the companies. All companies are wholly owned save for Radius Underwriting Limited. Blue items show TMHCCIH(I) immediate and ultimate parents, while the other boxes indicate TMHCCIH(I) group companies. For clarity, TME Branches are not shown. The position of the Zürich Branch is highlighted. Some further details of the various entities making up the TMHCCIH(I) group are shown below the chart.



Tokio Marine HCC Insurance Holdings (International) Limited ('TMHCCIH(I)')

TMHCCIH(I) acts as a UK investment holding company and is a private company limited by shares. It does not participate in any trading, but is exposed to investment risk in respect of impairment of investments held in its subsidiary undertakings. This risk is controlled by regular management review and monitoring of the trading results of the subsidiaries. HCCII is its principal trading subsidiary. TMHCCIH(I) Solvency II Net Assets at 31 December 2018 total $629.5m. For HCCII total Solvency II Net Assets amount to $628.4 million (2017: $703.5 million).

TMHCCIH(I) directly owns Rattner Mackenzie Ltd and owns 55% of the shares in Radius Underwriting Limited.

TMHCCIH(I) was previously called Pepys Holdings Limited but was renamed on 03 January 2019. At the start of 2018, Pepys Holdings Limited sat below HCC Insurance Holdings (International) Limited. During 2018, the organisational structure was rationalised and HCC Insurance Holdings (International) Limited was dissolved, so that Pepys Holdings Limited sat directly below HCC Insurance Holdings, Inc.

During 2018, Pepys Holdings Limited acquired 100% of the shares in HCCII. Prior to the share transfer, HCC Insurance Holdings (International) Limited, owned 100% of HCCII's shares, with one of those shares held jointly with HCC Insurance Holdings, Inc.

Rattner Mackenzie Ltd

Rattner Mackenzie Ltd is in the process of being dissolved. Dormant for over 16 years, this Jordanian company has no trading activity. Given various procedural and administration requirements, this will likely take some time and as a result will remain part of the holdings group structure for the foreseeable future.

Radius Underwriting Limited

Established in late 2016, Radius Underwriting Limited is a subsidiary of TMHCCIH(I) and is an appointed representative of HCCII to provide online distribution through Infinity Groups to distribute UK PI business underwritten on HCCII paper through affinity and other groups. TMHCCIH(I) owns 55% of the shares in Radius Underwriting Limited. Radius Underwriting Limited is in the process of being dissolved, which is expected to be finalised in the early part of 2019.

HCC International Insurance Company Plc ('HCCII' or 'the Company')

HCCII is the entity through which all underwriting and investment activities are transacted. Consequently the capital resources of the Group are concentrated in HCCII.

HCCII is authorized to underwrite a variety of lines, including Property Treaty, Property Direct and Facultative, Accident and Health, Energy, General Liability, Marine Hull, Financial Lines, Credit and Political Risk, Contingency, Surety and Professional Risks. HCCII is based in the United Kingdom and has authorized branches established in Republic of Ireland, France, Spain, Germany, Italy, Switzerland and Norway. The company currently underwrites risks across its branch network and across the rest of the EEA via freedom of services authorisations. However, all branches (except for the Swiss Branch) are being transferred to TME and, from 01 January 2019, all Tokio Marine HCC European business will be written through TME. HCCII also accepts inwards reinsurance risks from United States, Canada and Australia.

HCCII's business philosophy and strategic focus is to underwrite profitable business which includes careful risk selection and reinsurance purchasing in order to preserve shareholders' equity and to meet its target risk adjusted return on capital. Underwriting is concentrated in selected, narrowly defined, specialty lines of business where consistent underwriting profit can be achieved. HCCII's underwriting personnel with access to, and expertise in, the insurance and reinsurance marketplace have enabled HCCII to achieve its strategic objectives.

HCCII continues to benefit from the strong financial strength rating which remains a significant differentiator and a key selling point in many of the markets in which HCCII operates, particularly Surety and Financial Lines.

Tokio Marine Europe S.A. ('TME')

TME is a subsidiary of HCCII, which has been set up and licensed in Luxembourg with a AA- S&P rating to write all Tokio Marine European business from 01 January 2019. This is in direct response to the United Kingdom's vote to leave the European Union and the subsequent triggering of Article 51 (loosely referred to as 'Brexit'), which presented the Group with the risk that business currently underwritten through passporting and Branch regulation via EU directives (approximately 30% of gross written premium) would not be licensed post-Brexit.

TME will have branches in countries across Europe to service the old TMHCC International branch offices as well as the old TMKI branch offices that write both 'Japanese' and open market business. A significant project is now underway to integrate the TMKI branches into TME, including a transfer of all assets and liabilities in a Part VII process, and to ensure that all the Tokio Marine HCC systems are updated to allow for the use of TME paper from 01 January 2019.

TME has its own board, including independent NEDs, along with governing committees to oversee the TME business. The members of the various governing committees will include senior Tokio Marine HCC executives. TME will also have its own senior executives based locally, to run the business and manage and oversee all of its operations in accordance with the strategies set by the TME Board. TME will be supported by additional local resources to manage core control and risk functions.

TME's lines of business will be a combination of the lines currently written by HCCII and TMKI directly or through the existing European branch networks. These lines of business will be divided into three main reporting segments, namely: Specialty; London Market; and European Property & Casualty.

Qdos Holdings Limited & Qdos Broker and Underwriting Services Limited ('Qdos')

During the first half of 2018, Tokio Marine HCC entered into agreement to purchase Qdos Broker and Underwriting Services Limited, an underwriting agency based in Leicester writing predominantly direct contractor PI business for Tokio Marine HCC. Historically, this has been the largest producing broker for our Professional Risks division with an annual GWP of £10 million. Tokio Marine HCC have been working with them since 2007 and the book is very profitable.

Qdos Broker and Underwriting Services Limited focuses primarily on the distribution of Professional Indemnity (PI), Employers and Public Liability (EL/PL), Tax Enquiry and Liability (TEL) and Accident & Health (A&H) insurance to the growing UK small contractor market via Qdos Shop, an online digital distribution platform. Going forward, HCCII is looking to underwrite the other lines not currently underwritten (ie A&H and TEL) and the product risk assessment process is currently being undertaken on behalf of HCCII's Product Governance and Distribution Committee (PGDC). Possible further developments could come from new affinity or scheme business from other HCCII lines, but these will be assessed on a case by case basis.

Qdos Holdings Limited is the holding company for Qdos Broker and Underwriting Services Limited and is 100% owned by HCCII.

HCCI Credit Services Limited

HCCI Credit Services provides information to support the underwriting and setting of credit limits for business underwritten by HCCII. It is a regulated entity.

The directors of HCCI Credit Services Limited oversee the operation of the risk management framework and set the risk appetite for the company. The material risks to which the company is exposed are credit risk and liquidity risk. These are managed under the overarching risk management framework of HCCII and are not considered material within that overarching framework; the analysis is described in full within the Risk Profile section of this report.

HCC Diversificacion y Soluciones S.L.

HCC Diversificacion y Soluciones S.L. is a service company to the Spanish branch and employs individuals to provide back office support to the Barcelona office. It is not a regulated entity and has no trading or investment activities.

Significant Unusual Events

The United Kingdom's vote to leave the European Union (EU) in June 2016 and the subsequent triggering of Article 50 on 29 March 2017 presented Tokio Marine Group with the risk that TMHCC International and its UK affiliate, Tokio Marine Insurance Company Limited ('TMKI'), would, upon the UK's exit from the EU, no longer be licensed to write the European business historically underwritten through their respective European branches and on a freedom of services basis in the UK.

To mitigate the Brexit risk, in February 2018, TMHCC International established a new European subsidiary TME, based in Luxembourg, which was described above.

Although the creation of TME has a significant impact on the Company as a whole, it is unlikely to have any material impact on the risk profile or running of the Branch.

Section B – Performance

B1 – Underwriting Performance

A summary of the profit and loss statement for the years ending 31 December 2018, and 31 December 2017, for the Zürich Branch, is shown in the tables below. In addition, to put it in context, there is comparison to the full Company results

31 December 2018 USD/CHF '000	*Company USD*	Zürich Branch USD	**Zürich Branch CHF**
Underwriting Result (Technical Account, excluding Investment Income)	*83,890*	(1,156)	**(1,129)**
Net earned investment income	*22,630*	65	**64**
Net unrealised losses on financial investments (exc. FX)	*(19,196)*	44	**44**
Net FX gains / (losses) of revaluation on monetary items	*11,094*	(279)	**(274)**
Other income / (charges)	*(10,302)*	-	**-**
Profit on ordinary activities before tax	*88,116*	(1,326)	**(1,295)**
Tax	*(15,639)*	673	**657**
Profit on ordinary activities after tax	*72,477*	(653)	**(638)**
Profit attributable to:			
Owners of the Company	*72,477*	(653)	**(638)**
Non-controlling interests	*-*	-	**-**
Profit on ordinary activities after tax	*72,477*	(653)	**(638)**

31 December 2017 USD'000	*Company USD*	Zürich Branch USD	**Zürich Branch CHF**
Underwriting Result (Technical Account, excluding Investment Income)	*63,824*	9,585	**9,415**
Net earned investment income	*32,015*	35	**34**
Net unrealised losses on financial investments (exc. FX)	*(458)*	54	**53**
Net FX gains / (losses) of revaluation on monetary items	*(11,730)*	(206)	**(205)**
Other income / (charges)	*(6,385)*	-	**-**
Profit on ordinary activities before tax	*77,266*	9,468	**9,297**
Tax	*(15,962)*	(1,728)	**(1,697)**
Profit on ordinary activities after tax	*61,304*	7,740	**7,600**
Profit attributable to:			
Owners of the Company	*61,304*	7,740	**7,600**
Non-controlling interests	*-*	-	**-**
Profit on ordinary activities after tax	*61,304*	7,740	**7,600**

The Zürich Branch made a net loss before tax for the financial year of CHF1.3 million / $1.3 million (2017: profit of CHF9.3 million / $9.5 million). This compares to a corresponding full Company result of $88.1 million (2017: $77.2 million). The Zürich Branch result is driven by the underwriting result, which is discussed further below.

A summary of the Underwriting Result for the years ending 31 December 2018, and 31 December 2017, for the Zürich Branch was as follows:

CHF'000	2018 Actuals			
	Gross Written Premium	Net Earned Premium	Net Loss Ratio %	Underwriting Result
London Market				
Energy & Marine	377	506	32.5%	137
Property & Property Treaty	488	605	-1.9%	527
Accident & Health	10	64	35.4%	(3)
Other	-	-	-	381
Total London Market	**875**	**1,175**	**14.9%**	**1,042**
Specialty				
Surety	-	-	-	-
Credit	-	-	-	-
HCC Credit	2,972	2,964	64.8%	205
Total Surety & Credit	**2,972**	**2,964**	**64.8%**	**205**
Professional Risks	(42)	(42)	6.5%	(39)
Financial Lines	11,448	6,893	78.5%	(1,710)
Other	899	7	-176.3%	(627)
Total Specialty	**15,277**	**9,822**	**74.5%**	**(2,171)**
Total	**16,152**	**10,997**	**68.1%**	**(1,129)**

CHF'000	2017 Actuals			
	Gross Written Premium	Net Earned Premium	Net Loss Ratio %	Underwriting Result
London Market				
Energy & Marine	776	804	-290.8%	2,901
Property & Property Treaty	262	153	6.9%	96
Accident & Health	377	380	36.2%	8
Other	-	-	-	(784)
Total London Market	**1,415**	**1,337**	**-163.8%**	**2,221**
Specialty				
Surety	-	-	-	-
Credit	-	-	-	-
HCC Credit	4,640	5,087	12.2%	3,032
Total Surety & Credit	**4,640**	**5,087**	**12.2%**	**3,032**
Professional Risks	(46)	(46)	32.3%	(31)
Financial Lines	3,638	6,722	2.5%	3,931
Other	792	80	138.3%	262
Total Specialty	**9,024**	**11,843**	**7.5%**	**7,194**
Total	**10,439**	**13,180**	**-9.9%**	**9,415**

The 2018 underwriting result of (CHF1.1 million) is driven by adverse incurred claims results, primarily in the Financial Lines, Energy and HCC Credit reporting units. Financial Lines net incurred claims of CHF5.9 million included CHF4.4 million in respect of Credit Suisse Group AG on 2014 to 2016 underwriting years.

In comparison to 2017, which saw an underwriting result of CHF9.4 million, the Zurich branch benefitted from significant releases on specific case reserves across the Energy (CHF2.2 million), US Credit (CHF0.5 million) and Financial Lines (CHF0.4 million) lines of business. Additional 2017 saw a change in earnings patterns applied to Financial Lines and US Credit policies which resulted in an increase in earned premium. There have been no comparable earnings patterns changes in 2018.

The increase in the Financial Lines premium in 2018 arises from a relatively large eighteen month policy that was renewed in 2018 and which, therefore, was not written in 2017.

Underwriting Performance by Quantitative Template Segmentation

The previous section highlighted the results by management line of business.

The following table provides insight to the mapping of business between TMHCC lines of business, and those reported in the quantitative template in the Annex.

The quantitative template segmentation is applied at an individual policy level, meaning that the quantitative template lines of business can be found across multiple TMHCC lines of business. Likewise, the following is not an exhaustive mapping between TMHCC and the quantitative template lines of business.

TMHCC Line of Business	Quantitative Template Line of Business
Energy & Marine	Transport Fire, natural hazards, property damage
Property & Property Treaty	Fire, natural hazards, property damage
Accident & Health	Accident
Surety	Other branches
Credit	Other branches
HCC Credit	Other branches
Professional Risks	General Third-Party Liability
Financial Lines	General Third-Party Liability
Other	Other branches

As may be seen in the Annex, within the quantitative template segmentation, the main lines are General Third-Party Liability and Other branches. The main component of the former is Financial Lines and HCC Credit is the main component of the latter. Both of these lines were commented on in the previous section.

B2 – Financial Performance

The investment function for both the company and the branch is overseen by the Investment Committee which operates under terms of reference set by the Company's Board. The Committee is responsible for recommending the Investment Risk Appetite to the Board and preparing, in conjunction with the HCC Group's Investment Managers, the Investment Policy which is consistent with the risk appetite and regulatory requirement.

The performance of the Zürich Branch 's portfolio, for the years ending 31 December 2018 and 31 December 2017, is as follows:

Asset Classes	Year Ending 31 December 2018				
	Gross Investment Income CHF'000	Realised Gains and Losses CHF'000	Technical Earned Investment Income CHF'000	Unrealised Gains and Losses CHF'000	Total Earned Investment Income CHF'000
Fixed Income Securities	110	-	110	44	154
Other	12	-	12	-	12
Investment Expenses	(58)	-	(58)	-	(58)
Total Earned Investment Income (exc. FX)	**64**	**-**	**64**	**44**	**108**
FX Gain/(Loss) on Investments	-	(52)	(52)	(57)	(109)
FX Gain/(Loss) on Other Monetary Items					(165)
Net FX Gain/(Loss) on revaluation of monetary items					**(274)**

Asset Classes	Year Ending 31 December 2017				
	Gross Investment Income CHF'000	Realised Gains and Losses CHF'000	Technical Earned Investment Income CHF'000	Unrealised Gains and Losses CHF'000	Total Earned Investment Income CHF'000
Fixed Income Securities	78	20	98	53	151
Other	(3)	-	(3)	-	(3)
Investment Expenses	(61)	-	(61)	-	(61)
Total Earned Investment Income (exc. FX)	**14**	**20**	**34**	**53**	**87**
FX Gain/(Loss) on Investments	-	(348)	(348)	774	426
FX Gain/(Loss) on Other Monetary Items					(631)
Net FX Gain/(Loss) on revaluation of monetary items					**(205)**

Gross investment income on the Fixed Income Securities relates to the effective interest that is earned on the bond portfolio held by the Branch. Gross investment income on 'Other' relates to the return received on small amount of money market funds held by the branch. Investment expenses relate to the various investment manager and other fees incurred in running the Branch investment portfolios. The value of each one of these items is fairly similar for both 2018 and 2017.

The bond investments of the branch are usually held to maturity. Realised FX Gains/Losses mainly occur when non-US denominated assets mature and will be relatively volatile year on year.

B3 – Other Material Income and Expenses

There are no other material income or expenses to disclose.

ANNEX: Reporting Templates and Financial Statements

This Annex contains the quantitative template "Performance Solo Insurance", as well as the audited annual financial statements and report of the statutory auditor, all in respect of the year ended 31 December 2018.

Financial situation report: quantitative template "Performance Solo NL"

Currency: CHF or annual report currency
Amounts stated in millions

		Total		Direct Swiss business: Accident		Illness		Motor vehicle		Transport		Fire, natural hazards, property damage		General third-party liability		Other branches	
		Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	Gross premiums	10.4	16.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.5	(0.4)	3.3	9.9	5.3	3.8
2	Reinsurers' share of gross premiums	(1.6)	(4.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	(1.0)	(2.6)	(0.7)	(1.4)
3	Premiums for own account (1 + 2)	8.8	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.7	(0.3)	2.3	7.3	4.6	2.4
4	Change in unearned premium reserves	5.7	(1.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	0.3	5.2	(2.0)	1.0	0.4
5	Reinsurers' share of change in unearned premium reserves	(1.3)	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	(0.1)	(1.0)	0.5	(0.4)	0.1
6	Premiums earned for own account (3 + 4 + 5)	13.2	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.5	(0.1)	6.5	5.8	5.2	2.9
7	Other income from insurance business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Total income from underwriting business (6 + 7)	13.2	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.5	(0.1)	6.5	5.8	5.2	2.9
9	Payments for insurance claims (gross)	(1.2)	(9.3)	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	(0.1)	(0.7)	0.2	(3.4)
10	Reinsurers' share of payments for insurance claims	0.7	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.7	1.2
11	Change in technical provisions	3.1	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	(0.1)	0.1	(0.7)	(6.4)	(1.5)	0.5
12	Reinsurers' share of change in technical provisions	(1.3)	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(1.4)	(0.1)	0.7	2.1	(0.1)	(0.2)
13	Change in technical provisions for unit-linked life insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	1.3	(7.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(1.5)	0.0	(0.1)	(4.8)	(0.7)	(1.9)
15	Acquisition and administration expenses	(6.3)	(5.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.1	(3.0)	(2.9)	(2.9)	(2.2)
16	Reinsurers' share of acquisition and administration expenses	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.6	0.6	0.4
17	Acquisition and administration expenses for own account (15 + 16)	(5.1)	(4.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.1	(2.3)	(2.3)	(2.3)	(1.8)
18	Other underwriting expenses for own account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(3.8)	(12.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(1.6)	0.1	(2.4)	(7.1)	(3.0)	(3.7)
20	Investment income	1.4	0.6														
21	Investment expenses	(0.9)	(0.6)														
22	Net investment income (20 + 21)	0.5	0.0														
23	Capital and interest income from unit-linked life insurance	0.0	0.0														
24	Other financial income	0.0	0.0														
25	Other financial expenses	0.0	0.0														
26	Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	9.9	(1.1)														
27	Interest expenses for interest-bearing liabilities	0.0	0.0														
28	Other income	0.0	0.0														
29	Other expenses	(0.6)	(0.2)														
30	Extraordinary income/expenses	0.0	0.0														
31	Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	9.3	(1.3)														
32	Direct taxes	(1.7)	0.7														
33	Profit / loss (31 + 32)	7.6	(0.6)														

		Direct non-Swiss business: Total		Indirect business: Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
		Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	Gross premiums	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.2	0.2	0.0	1.0	0.4	1.5	0.2	0.2
2	Reinsurers' share of gross premiums	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	(0.2)	(0.0)	(0.1)
3	Premiums for own account (1 + 2)	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.2	0.2	0.0	0.9	0.3	1.3	0.2	0.1
4	Change in unearned premium reserves	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	(0.1)	(0.3)	(0.2)	0.0
5	Reinsurers' share of change in unearned premium reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	(0.1)	(0.1)
6	Premiums earned for own account (3 + 4 + 5)	0.0	0.0	0.0	0.0	0.4	0.1	0.0	0.0	0.2	0.2	0.2	1.0	0.2	1.1	(0.1)	(0.0)
7	Other income from insurance business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Total income from underwriting business (6 + 7)	0.0	0.0	0.0	0.0	0.4	0.1	0.0	0.0	0.2	0.2	0.2	1.0	0.2	1.1	(0.1)	(0.0)
9	Payments for insurance claims (gross)	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	(0.8)	(0.3)	(0.2)	(4.8)	0.0	0.0	0.0	(0.1)
10	Reinsurers' share of payments for insurance claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)	0.6	0.0	0.0	0.2	0.0
11	Change in technical provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.2	4.6	5.0	(0.1)	(0.7)	0.1	0.1
12	Reinsurers' share of change in technical provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.0)	(0.1)	(0.8)	0.0	0.1	(0.3)	0.0
13	Change in technical provisions for unit-linked life insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	(0.2)	(0.1)	4.1	0.0	(0.1)	(0.6)	0.0	(0.0)
15	Acquisition and administration expenses	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.0	0.0	0.0	(0.1)	0.0	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)
16	Reinsurers' share of acquisition and administration expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	(0.1)	0.1
17	Acquisition and administration expenses for own account (15 + 16)	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.0	0.0	0.0	(0.1)	0.0	(0.1)	(0.1)	(0.3)	(0.2)	0.0
18	Other underwriting expenses for own account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	0.0	0.0	0.0	0.0	(0.3)	(0.1)	0.0	0.0	(0.2)	(0.2)	4.1	(0.1)	(0.2)	(0.9)	(0.2)	0.0

HCC International Insurance Company Plc, London, Zurich Branch

Zurich

Report of the independent auditor to the General Manager

on the financial statements 2018

Report of the independent auditor

to the General Manager of HCC International Insurance Company Plc, London, Zurich Branch

Zurich

Report on the audit of the financial statements

As a federally-supervised audit firm, we have audited the accompanying financial statements of the Zurich branch office of HCC International Insurance Company Plc, London, which comprise the balance sheet as at December 31, 2018, and the income statement and notes for the year then ended, in line with Article 28 para. 2 of the Insurance Supervision Act (ISA) and with reference to the FINMA guidelines “Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)”.

The financial statements have been prepared by the General Manager on the basis of the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law.

General Manager’s Responsibility for the Financial Statements

The General Manager is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act (FINMASA), the Insurance Supervision Act (ISA), the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA) as well as with the FINMA guidelines “Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)” –, and for such internal controls as the General Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulatory requirements set out in Article 28 para. 2 ISA, the WNL and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the branch office’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the branch office's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Opinion
In our opinion, the financial statements of the Zurich branch office of HCC International Insurance Company Plc, London, as of and for the year ended December 31, 2018 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

Basis of Accounting
Without modifying our opinion, we note that the financial statements of the Zurich branch office of HCC International Insurance Company Plc, London, are prepared on the basis of the accounting principles specified above. The financial statements are prepared to comply with the requirements of Article 25 para. 4 ISA. As a result, the financial statements may not be suitable for another purpose.

PricewaterhouseCoopers AG

Michael Stämpfli	Michael Waldburger
Audit expert Auditor in charge	Audit expert

Zurich, 26 April 2019

Enclosures:

- Financial statements (balance sheet, income statement and notes)

TOKIO MARINE
HCC

Financial Statements

HCC International Insurance Company Plc, London, Zürich Branch

Year ended 31 December 2018

HCC INTERNATIONAL INSURANCE COMPANY PLC
TOKIO MARINE HCC

TOKIO MARINE HCC

HCC INTERNATIONAL INSURANCE COMPANY PLC, LONDON, ZÜRICH BRANCH

FINANCIAL STATEMENTS 2018

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HCC INTERNATIONAL INSURANCE COMPANY PLC TOKIO MARINE HCC

TOKIO MARINE
HCC

HCC INTERNATIONAL INSURANCE COMPANY PLC, LONDON, ZÜRICH BRANCH

BALANCE SHEET
As at 31 December 2018

	Notes	2018	2017
		CHF'000	CHF'000
ASSETS			
Investments - fixed income securities	8	27,733	28,117
Cash		1,448	947
Reinsurers' share of technical provisions	4,9	10,897	9,212
Deferred acquisition costs		2,443	1,843
Debtors arising out of direct insurance and reinsurance operations		4,571	3,251
Other debtors	11	1,071	363
Accrued investment income		274	271
Total assets		48,437	44,004
LIABILITIES			
Technical provisions			
Provision for unearned premiums	4,9	7,221	5,782
Claims reserves	4,9	27,733	26,400
Equalisation provision	4,9	4,039	3,906
Total technical provisions		38,993	36,088
Provision for taxation		-	-
Creditors arising out of direct insurance and reinsurance operations	12	2,844	192
Other creditors including taxation and social security	13	160	1,374
Reinsurers' share of deferred acquisition costs		1,005	747
Accruals		409	280
		4,418	2,593
Equity			
Liaison Account		100	100
Profit and loss account		2,595	7,600
Payable (Receivable) with HCCII		2,306	(2,252)
Other reserves		25	(125)
Total Equity including transactions with HCCII		5,026	5,323
Total liabilities and equity including transactions with HCCII		48,437	44,004

The notes on pages 7 to 16 form an integral part of the financial statements.

HCC INTERNATIONAL INSURANCE COMPANY PLC
TOKIO MARINE
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SWISS BRANCH
BREITINGERSTRASSE 23
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HCC INTERNATIONAL INSURANCE COMPANY PLC, LONDON, ZÜRICH BRANCH

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2018

	Notes	2018 CHF'000	2017 CHF'000
Technical account – general business			
Earned premiums, net of reinsurance			
Gross written premiums		16,152	10,439
Ceded reinsurance premiums		(4,265)	(1,598)
Net written premiums		11,887	8,841
Change in the gross provision for unearned premiums	4	(1,446)	5,685
Change in the ceded provision for unearned premiums	4	556	(1,346)
Change in net provision for unearned premiums		(890)	4,339
Earned premiums, net of reinsurance		10,997	13,180
Total technical income		10,997	13,180
Claims incurred, net of reinsurance			
Claims paid:			
- Gross		(9,322)	(1,199)
- Reinsurers' share		1,955	679
Net claims paid		(7,367)	(520)
Change in the provision for claims:			
- gross amount	4	(987)	3,487
- reinsurers' share	4	1,077	(1,240)
Change in equalisation provision	4	(214)	(422)
Change in the net provision for claims		(124)	1,825
Claims incurred, net of reinsurance		(7,491)	1,305
Gross acquisition costs		(4,477)	(4,897)
Ceded acquisition costs		1,126	1,224
Administration expenses		(1,284)	(1,397)
		(4,635)	(5,070)
Total technical charges		(12,126)	(3,765)
Balance on the technical account for general business		(1,129)	9,415

HCC INTERNATIONAL INSURANCE COMPANY PLC
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HCC INTERNATIONAL INSURANCE COMPANY PLC, LONDON, ZÜRICH BRANCH

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2018

	Notes	2018 CHF'000	2017 CHF'000
Non-technical account			
Balance on the technical account for general business		(1,129)	9,415
Investment income	5	595	1,424
Investment expenses	6	(596)	(911)
Other expenses		(165)	(631)
(Loss)/profit on ordinary activities before tax		(1,295)	9,297
Tax on (loss)/profit on ordinary activities		657	(1,697)
(Loss)/profit for the financial year		(638)	7,600

The notes on pages 7 to 16 form an integral part of the financial statements.

HCC INTERNATIONAL INSURANCE COMPANY PLC
26/4/19
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HCC INTERNATIONAL INSURANCE COMPANY PLC, LONDON, ZÜRICH BRANCH
STATEMENT OF CHANGES IN EQUITY INCLUDING TRANSACTIONS WITH HCCII
For the year ended 31 December 2018

	Liaison Account	Profit and loss account	Payable (Receivable) to(from) HCCII	Other reserves	Total
	CHF'000	**CHF'000**	**CHF'000**	**CHF'000**	**CHF'000**
1 January 2018	100	7,600	(2,252)	(125)	5,323
Profit distribution	-	(4,367)	-	-	(4,367)
Current year (loss)	-	(638)	-	-	(638)
Movement in Payable to HCCII	-	-	4,558	-	4,558
Movement in Foreign Currency Translation	-	-	-	150	150
31 December 2018	100	2,595	2,306	25	5,026

	Liaison Account	Profit and loss account	Payable (Receivable) to(from) HCCII	Other reserves	Total
	CHF'000	**CHF'000**	**CHF'000**	**CHF'000**	**CHF'000**
1 January 2017	100	2,174	24,758	53	27,085
Profit distribution	-	(2,174)	-	-	(2,174)
Current year profit	-	7,600	-	-	7,600
Movement in (Receivable) (from) HCCII	-	-	(27,010)	-	(27,010)
Movement in Foreign Currency Translation	-	-	-	(178)	(178)
31 December 2017	100	7,600	(2,252)	(125)	5,323

The notes on pages 7 to 16 form an integral part of the financial statements.

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HCC INTERNATIONAL INSURANCE COMPANY PLC, LONDON, ZÜRICH BRANCH
NOTES TO THE FINANCIAL STATEMENTS

1. Branch information

a. General information

HCC International Insurance Company Plc ('HCCII'), London, Zürich Branch, Breitingerstrasse 23, 8002 Zurich (UID) CHE-113.995.049 ('the Branch') was registered on 19 December 2007, under the laws of Switzerland ('the Registration').

The principal activity of HCCII is the transaction of general insurance and reinsurance business in the United Kingdom and Continental Europe where it benefits from the European Union Freedom of Services charter to write across the European Union member states. HCCII is the flagship carrier for TM HCC Group's international operations ('International Group'). International Group business is also written on two other platforms; Houston Casualty Company London Branch and Syndicate 4141. HCCII operates from a number of offices across the UK and also has branches in Spain, Ireland, France, Switzerland, Germany, Italy and Norway. HCCII is authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority.

The International Group underwriters write business on the international platforms based on prescribed rules which determine which carrier is utilised. Licensing, distribution or client choices are the principle determinants of the platform utilised. Lines underwritten include Property Treaty, Property Direct and Facultative, Accident and Health, Energy and Marine, Professional Risks, Financial Lines, Credit and Political Risk, Surety and Contingency. Financial Lines is underwritten through HCC Global Financial Products S.L., which is a wholly owned subsidiary of HCC. HCCII has continued to grow in recent years, as HCC makes use of the Tokio Marine franchise, its European licenses, and continues to add to its international product offerings.

The principal purpose of the Branch is to write general commercial insurance and further insurance company related activities specified in the Registration.

HCCII's ultimate parent company is Tokio Marine Holdings, Inc., which is incorporated in Japan and its head office is located in Tokyo.

b. Full time employees

The Branch has no full time employees.

2. Summary of significant accounting policies

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

a. Basis of preparation

The financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations and the additional insurance requirements of FINMA.

The 2018 financial year comprises the accounting period from January 1 to December 31, 2018 with comparatives from prior year 2017.

b. Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make significant estimates and assumptions that affect the reported valuations of assets, liabilities, income and expenses. Actual results could differ significantly from the estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation of the ultimate net losses incurred from the issuance of insurance contracts involves assumptions concerning the future, and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

c. Foreign currency translation

The Branch's accounting records are maintained in US Dollars, the Branch's functional currency, and its reporting currency is Swiss Francs. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. At each period end, foreign currency assets and liabilities are translated using the closing rate.

The foreign exchange rates used for the translation of functional currency to reporting currency are set out below:

a) assets and liabilities at the closing rate at the balance sheet date which for Swiss Francs was CHF 1 = US$1.0169 (2017: US$1.0245); and

b) income and expenses at monthly rates during the year. The average rate for the year for Swiss Francs was CHF 1 = US$1.0243 (2017: $1. 0182).

d. Insurance contracts

Results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

i. Premiums written

Premiums written relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for unreported, or pipeline, premiums representing amounts due to the Branch not yet notified. Outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related inwards business;

ii. Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment/risk profile basis;

iii. Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned;

iv. Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related loss adjustment expenses, together with any other adjustments to claims for previous years. Where applicable, deductions are made for salvage and other recoveries; and

v. Claims provisions and related reinsurance recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Branch. The estimated cost of claims includes expenses to be incurred in settling claims and deduction for expected value of salvage and other recoveries. The Branch takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Gross loss provisions are calculated gross of any reinsurance recoveries.

The estimate of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimate of the cost of settling claims already notified to the Branch, where more information about a claim event is generally available. Claims IBNR often may not be apparent to the insurer until many years after the event giving rise to the claim has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the event tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims the Branch uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, the Branch has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis and projected separately, in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible, the Branch adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Reinsurance

Reinsurance to cover catastrophe exposed lines or lines with unbalanced line size to premium is purchased on a shared basis for the international insurance entities. Reinsurance premiums on excess of loss programmes are allocated across HCC UK platforms based on gross written premiums. Reinsurance recoveries are allocated based on the share of gross losses suffered by each carrier. Additionally, quota share and facultative reinsurance are purchased to balance line size and premium where it is prudent to do so.

The reinsurers' share of claims incurred in the income statement reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the income statement as "ceded reinsurance premiums".

Subrogation and salvage

Recoveries arising out of subrogation or salvage are included within other debtors when invoiced. The amounts included in other debtors for 2018 are CHF nil (2017 - CHF nil).

HCC INTERNATIONAL INSURANCE COMPANY PLC
TOKIO MARINE HCC

e. Equalisation provision

In accordance with FINMA Circular 2008/42 "Technical provisions – non-life insurance", IV C c., the Branch calculates an equalisation provision for its Credit insurance class of business based on net written premiums.

f. Direct taxes

Direct taxes relate to the financial year and include income and capital taxes.

g. Financial investments

The Branch's investments comprise fixed income securities valued at amortised cost.

h. Investment income and expenses

Interest income is recognised using the effective interest rate method. Investment expenses are accounted for on an accruals basis.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and amortised cost.

i. Equity including transactions with HCCII

In accordance to FINMA directive letter received by the Branch dated 25 August 2017, the Equity account has been adjusted to reflect other capital inflow and outflow including any transactions with the "Home" company. The Home Company is HCC International Insurance Company Plc ('HCCII').

The 2018 and 2017 comparative Equity account has been adjusted accordingly to reflect the transactions with the "home" company with impact on Other Debtors account where such balances were previously reported (Note 14).

HCC INTERNATIONAL INSURANCE COMPANY PLC TOKIO MARINE HCC

TOKIO MARINE HCC

HCC INTERNATIONAL INSURANCE COMPANY PLC, LONDON, ZÜRICH BRANCH
NOTES TO THE FINANCIAL STATEMENTS

3. Technical account results by direct and assumed business

	2018			2017		
	Direct	Assumed	Total	Direct	Assumed	Total
	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000
Gross written premiums	13,295	2,857	16,152	9,153	1,286	10,439
Ceded reinsurance premiums	(3,883)	(382)	(4,265)	(1,534)	(64)	(1,598)
Net written premiums	9,412	2,475	11,887	7,619	[1]1,222	8,841
Change in the gross provision for unearned premiums	(1,301)	(145)	(1,446)	5,887	(202)	5,685
Change in the ceded provision for unearned premiums	497	59	556	(1,339)	(7)	(1,346)
Change in net provision for unearned premiums	(804)	(86)	(890)	4,548	(209)	4,339
Earned premiums, net of reinsurance	8,608	2,389	10,997	[1]12,167	[1]1,013	13,180
Total technical income	8,608	2,389	10,997	[1]12,167	[1]1,013	13,180
Claims incurred, net of reinsurance						
Claims paid:						
- Gross	(4,093)	(5,229)	(9,322)	39	[1](1,238)	(1,199)
- Reinsurers' share	1,351	604	1,955	664	15	679
Net claims paid	(2,742)	(4,625)	(7,367)	703	[1](1,223)	(520)
Change in the provision for claims:						
- gross amount	(5,602)	4,615	(987)	(1,738)	5,225	3,487
- reinsurers' share	1,792	(715)	1,077	(869)	[1](371)	(1,240)
Change in equalisation provision	(214)	-	(214)	(422)	-	(422)
Change in the net provision for claims	(4,024)	3,900	(124)	(3,029)	4,854	1,825
Claims incurred, net of reinsurance	(6,766)	(725)	(7,491)	(2,326)	[1]3,631	1,305
Gross acquisition costs	(3,848)	(629)	(4,477)	(4,523)	(374)	(4,897)
Ceded acquisition costs	1,056	70	1,126	1,207	17	1,224
Administration expenses	(1,284)	-	(1,284)	(1,225)	(172)	(1,397)
	(4,076)	(559)	(4,635)	(4,541)	(529)	(5,070)
Total technical charges	(10,842)	(1,284)	(12,126)	(6,867)	[1]3,102	(3,765)
Balance on the technical account for general business	(2,234)	1,105	(1,129)	[1]5,300	[1]4,115	9,415

[1] The 2017 figures have been updated due to rounding differences present in last year's disclosure, no amount was greater than CHF1k.

HCC INTERNATIONAL INSURANCE COMPANY PLC TOKIO MARINE HCC

4. Reconciliation of the movement in the technical reserves

	Opening balance	Income statement	Revaluation FX	Closing balance
2018	**CHF'000**	**CHF'000**	**CHF'000**	**CHF'000**
Gross provision for unearned premiums	5,782	1,446	(7)	7,221
Ceded provision for unearned premiums	(2,070)	(556)	23	(2,603)
Gross claims provisions	26,400	987	346	27,733
Reinsurers' share claims provisions	(7,142)	(1,077)	(75)	(8,294)
Equalisation provision	3,906	214	(81)	4,039
	26,876	1,014	206	28,096

	Opening balance	Income statement	Revaluation FX	Closing balance
2017	**CHF'000**	**CHF'000**	**CHF'000**	**CHF'000**
Gross provision for unearned premiums	11,498	(5,685)	(31)	5,782
Ceded provision for unearned premiums	(3,417)	1,346	1	(2,070)
Gross claims provisions	30,444	(3,487)	(557)	26,400
Reinsurers' share claims provisions	(8,562)	1,240	180	(7,142)
Equalisation provision	3,554	422	(70)	3,906
	33,517	(6,164)	(477)	26,876

5. Investment income

	Income	Bond discounts	Realised Gains	Unrealised Gains	Total
	CHF'000	**CHF'000**	**CHF'000**	**CHF'000**	**CHF'000**
2018					
Fixed interest securities	486	45	-	56	587
Cash	8	-	-	-	8
	494	45	-	56	595

	Income	Bond discounts	Realised Gains	Unrealised Gains	Total
	CHF'000	**CHF'000**	**CHF'000**	**CHF'000**	**CHF'000**
2017					
Fixed interest securities	439	14	20	951	1,424
Cash	-	-	-	-	-
	439	14	20	951	1,424

Unrealised gains relates to amortisation of fixed income securities.

HCC INTERNATIONAL INSURANCE COMPANY PLC
TOKIO MARINE HCC

6. Investment expenses

	Fees	Bond premiums	Realised Losses	Unrealised Losses	Total
	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000
2018					
Fixed interest securities	-	417	52	69	538
Investment fees	58	-	-	-	58
	58	417	52	69	596

	Fees	Bond premiums	Realised Losses	Unrealised Losses	Total
	CHF'000	CHF'000	CHF'000	CHF'000	CHF'000
2017					
Fixed interest securities	-	378	348	124	850
Investment fees	61	-	-	-	61
	61	378	348	124	911

7. Auditor's remuneration

	2018	2017
	CHF'000	CHF'000
Audit fees	86	54
	86	54

Audit fees are included in Administration expenses.

8. Investments - fixed income securities

2018	Amortised cost	2018 Market value	Amortised cost	2017 Market value
	CHF'000	CHF'000	CHF'000	CHF'000
Fixed income securities	27,733	27,666	28,117	28,042

HCC INTERNATIONAL INSURANCE COMPANY PLC TOKIO MARINE HCC

9. Technical provisions

	Gross	Reinsurance	Net
	CHF'000	CHF'000	CHF'000
2018			
Unearned premiums	7,221	(2,603)	4,618
Claims reserves	27,733	(8,294)	19,439
Equalisation provision	4,039	-	4,039
	38,993	(10,897)	28,096

	Gross	Reinsurance	Net
	CHF'000	CHF'000	CHF'000
2017			
Unearned premiums	5,782	(2,070)	3,712
Claims reserves	26,400	(7,142)	19,258
Equalisation provision	3,906	-	3,906
	36,088	(9,212)	26,876

10. Debtors arising out direct insurance and reinsurance operations

	2018	2017
	CHF'000	CHF'000
Receivables from policyholders	-	-
Receivables from agents and brokers	1,466	2,173
Receivables from reinsurance companies	3,105	1,078
	4,571	3,251

11. Other debtors

	2018	2017
	CHF'000	CHF'000
Amounts due from group companies	649	186
Other debtors including direct taxes recoverable	422	177
	1,071	363

Amounts due from group companies are unsecured, interest free and have no fixed date of repayment.

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12. Creditors arising out direct insurance and reinsurance operations

	2018	2017
	CHF'000	CHF'000
Payables to policyholders	-	-
Payables to agents and brokers	201	192
Payables to reinsurance companies	2,643	-
	2,844	192

13. Other creditors

	2018	2017
	CHF'000	CHF'000
Amounts owed to group companies	152	622
Other creditors including taxation	8	752
	160	1,374

Amounts owed to group companies are unsecured, interest free and have no fixed date of repayment.

14. Equity statement

	2018	2017	% Change
	CHF'000	CHF'000	
Opening Balance - 1 January 2018	**5,323**	**27,085**	**(80)%**
Cash inflow from HCCII	-	-	-
Cash outflow to HCCII	-	-	-
Distribution of prior years' profit to HCCII	(4,367)	(2,174)	(101)%
Movement in Payable(Receivable) to(from) HCCII	4,558	(27,010)	117%
Annual Result and Other Reserves	(488)	7,422	(107)%
Closing Balance - 31 December 2018	**5,026**	**5,323**	**(6)%**

The Branch underwrites business for HCCII within the group in Switzerland. As at 31 December 2018, the Branch has intercompany payable of CHF 2.3m (2017: CHF 2.3m receivable) with HCCII.

15. Guarantees, commitments and contingencies

The Branch has not provided any guarantees. The Branch does not have any commitments or contingencies to disclose as at the balance sheet date.

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16. Related party disclosures

a) The Branch paid CHF 0.4m (2017: received CHF 0.3m) to HCC Service Company Inc. (UK Branch) during the year and CHF nil (2017: CHF 0.4m owed) is due at the balance sheet date for expenses paid on behalf of the Branch and included in Amounts due to Group Companies.

b) The Branch paid CHF 0.03m (2017: CHF 0.04m) to HCC Global Spain for commission fees during the year on behalf of the Branch and a further CHF 0.15m (2017: CHF 0.2m) is due to HCC Global Spain at the balance sheet date and included in Amounts due to Group Companies.

c) The Branch paid CHF 0.02m (2017: received CHF 0.05m) to Houston Casualty Company during the year and CHF nil (2017: CHF 0.02m due) is due at the balance sheet date for reinsurance paid on behalf of the Branch and included in Amounts due to Group Companies.

d) The Branch received CHF 0.09m (2017: paid CHF 0.02m) from U.S. Specialty Insurance Co during the year in respect of premium and CHF nil (2017: CHF 0.09m) is owed at the balance sheet date and included in Amounts due from Group Companies .

e) The Branch paid CHF 0.6m (2017: received CHF 30.0m) to HCCII Spanish Branch during the year and CHF 0.6m (2017: CHF nil) is due from the Spanish Branch at the balance sheet date in respect of technical receipts and payments and included in Amounts due from Group Companies.

f) The Branch shares a reinsurance programme with the other HCC International carriers. Reinsurance premiums are pro-rated across HCC UK platforms according to their respective gross written premiums. Reinsurance recoveries are pro-rated based on the share of gross losses suffered by each carrier.

17. Subsequent events

There have been no material events after the year end and up to the date of this report which require disclosure.

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