TOKIO MARINE HCC

Tokio Marine Europe S.A.

Audited Annual Accounts

For the year ended 31 December 2020

Registered address: 26, Avenue de la Liberté,L-1930 Luxembourg
R.C.S. Luxembourg: B221975
Subscribed capital: $ 1,159,060

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TOKIO MARINE EUROPE S.A.
COMPANY INFORMATION

Directors:	B J Cook (Non-Executive Director) P Engelberg (*Chairman)* (Non-Executive Director) C Kanu (Chief Executive Officer) appointed 1 April 2020 TJ G Hervy (Group Executive) K L Letsinger (Non-Executive Director) P Méresse (Non-Executive Director) appointed 1 April 2020 H Mishima (Group Executive) appointed 1 April 2020 H-D Rohlf (*Chairman)* (Non-Executive Director) resigned 31 March 2020 G White (Group Executive) resigned 10 September 2020 S Urano (Group Executive) resigned 31 March 2020
Company Secretary:	J L Holliday
Registered Number:	B221975
Registered Office:	26, Avenue de la Liberté,L-1930 Luxembourg
Auditors:	PricewaterhouseCoopers Société coopérative 2, rue Gerhard Mercator, L-2182 Luxembourg

DIRECTORS' REPORT

The Directors present their annual report together with the audited annual accounts for the period ended 31 December 2020.

Business Structure

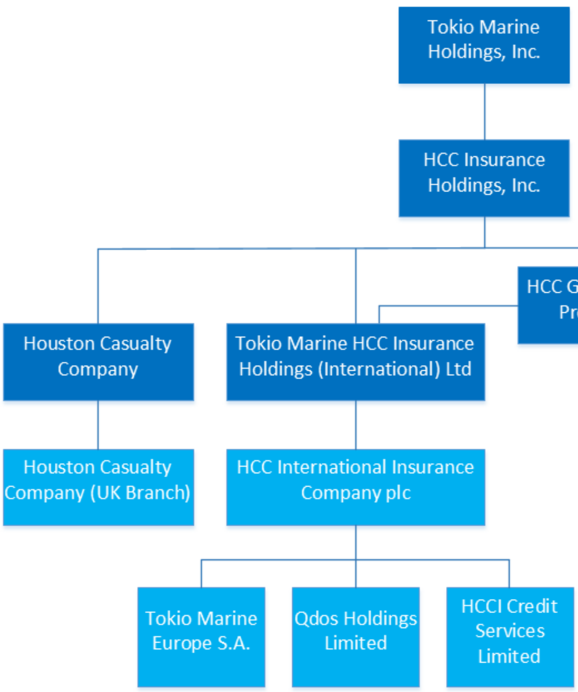
Tokio Marine Europe S.A. (the 'Company' or 'TME') is a non-life insurance company incorporated on 8 February 2018 as a public limited liability company ("Société Anonyme") subject to the general company law of Luxembourg. The Company is registered with the Registre de Commerce et des Sociétés ('RCS') in Luxembourg with a RCS number B221975. The Company is authorised under the law on the insurance sector of 7 December 2015 and supervised by the Commissariat Aux Assurances ('CAA').

The Company is a wholly owned subsidiary of HCC International Insurance Company plc ('HCCII'), a UK Insurance Company, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

HCCII and its subsidiaries (the 'Group'), including TME, is part of the Tokio Marine Group ('TM Group'), whose ultimate holding company is Tokio Marine Holdings, Inc. TM Group is a leading international insurance group located in Tokyo, Japan which has 252 subsidiaries, and 22 affiliates located worldwide, which undertake non-life and life insurance and operate within the financial and general business sector (including consulting and real estate). As of 31 December 2020, TM Group had total assets of ¥25.6 trillion (December 2019: ¥24.4 trillion) and shareholders' equity of ¥1.9 trillion (December 2019: ¥1.9 trillion). TM Group and a number of its major insurance companies have a financial strength rating of A+ (Stable) from Standard & Poor's Financial Services LLC (S&P).

HCC Insurance Holdings, Inc. ('TMHCC Group') is a subsidiary within the TM Group based in the United States and is a leading international specialty insurance group with more than 100 classes of specialty insurance, underwriting risks located in approximately 180 countries. Given its financial strength and track record of excellent results, it benefits from an S&P rating of A+. TMHCC International (illustrated by the simplified structure chart below) is TMHCC Group's operating segment outside of the United States. Located in the United Kingdom and Continental Europe, TMHCC International underwrites business on four different insurance platforms: HCCII, TME, HCC Syndicate 4141 (a wholly aligned Lloyd's syndicate) and Houston Casualty Company (London Branch).

The Company's parent HCCII is the flagship carrier for TMHCC International and the underwriting platform used is based on prescribed rules and if licensing permits, client choice. Both HCCII and TME benefit from an explicit and unconditional guarantee from Houston Casualty Company. As a result, S&P has assigned the same financial strength rating of A+ to HCCII and TME.



TME was established in response to the United Kingdom's vote to leave the European Union (EU) in June 2016 which has resulted in the UK's exit from the EU on 31 January 2020. In 2018 HCCII established and received regulatory authorisation for TME and its European branches. A legal Part VII portfolio transfer process between HCCII, Tokio Marine Kiln Insurance ('TMKI') and TME transferred insurance and reinsurance contracts from HCCII and TMKI European branches to TME effective as at 1 January 2019 together with the transfer of all branch employees. The transfer was affected through TME issuing one share each to TMKI and HCCII. During 2020, TME has continued to underwrite new and renewal business and continues to be well positioned to continue to support TMHCC International, as a strong underwriting platform to support EEA risks across multiple classes of business.

Branches and Subsidiaries
During 2020 the Company's business was underwritten through its branches in Spain, Ireland, France, Germany, Italy, Denmark, Belgium, Norway, Netherlands and on a freedom of services basis in the remaining EU member states. European risks presented in the London Market have been underwritten through TME's branch in the UK. From 1 January 2021, new and renewing European risks across all lines of business will be written out of one of TME's EEA branches.

Strategic and Operational Initiatives

During 2020 the Company completed a number of strategic and operational initiatives in respect of its underwriting operations. The material initiatives are detailed below:

European Surety
The European Surety business grew strongly in 2020, following its expanded presence into Continental Europe which was completed in 2019. The economic uncertainty as a result of the Covid-19 pandemic was closely monitored during 2020 along with the resulting potential growth opportunities. TME's surety business benefits from the same reinsurance with external reinsurers as HCCII and is strongly aligned to HCCII's surety strategy and governance.

Japanese Business
The Japanese Business portfolio continued to benefit from organic growth in 2020 and from new and renewing EEA risks, formerly underwritten by TMKI, which were underwritten by TME from 1 January 2019. This portfolio is underwritten and serviced across a European branch network with the largest concentration in Germany and France and continues to be reinsured by TMNF through two reinsurance programmes.

Non-Japanese French Business
During 2020, in order to better align with the Group's segmental approach, management of certain business historically written by TME French branch (TMSL and Marine Cargo) was moved within the Specialty Segment which has enabled better leverage of underwriting and reinsurance purchasing expertise. Following the regulatory approval from the French administration (Direccte) and following consultation with the Works Council (CSE) during Q4 2019, the Non-J Property and Casualty portfolios were placed into run off from 1 January 2020; and positions connected to the Non-J Property & Casualty business were made redundant.

Executive Management
TME underwent changes to its Executive and Senior Management Team during 2020, ensuring continued alignment with TME's strategic objectives and succession planning. Following internal nomination and approval by the CAA, Christian Kanu, Deputy CEO of TME, was promoted to CEO and was appointed to the Board on 1st of April 2020, while Thibaud Hervy continues as a Director of the board of the Company and in his role as Chief Underwriting Officer of International Specialty for TMHCC International.

There were also several members of the established Senior Management Team, who have been promoted into Senior Manager regulated positions which provides additional support to the Board and CEO. This strengthens the TME's medium to long term succession planning for key roles.

Risk and Control Framework
After its establishment in 2018, the Company implemented its governance structure, and established its systems, controls and processes. Significant progress was achieved during 2020 in integrating the branches, historically part of TMKI, into TME. Further progress was made in embedding TMHCC International processes, procedures and controls and in the alignment of the IT and Finance systems.

Capital Increase
In Q4 2020 the Company received a capital contribution of $20m from its parent company, HCCII in order to continue to fund Solvency for the growing business. TME uses the Standard Formula Solvency Capital Requirement ('SF SCR') to determine regulatory solvency requirements and, inclusive of the internal buffer, remains at a level that is deemed appropriate by the Board, whilst at all times maintaining a coverage ratio, excluding buffer, that is greater than 100%.

Principal activity

The Company's principal activity is to underwrite non-life insurance and reinsurance business. In 2020, TME underwrote business through three core underwriting segments: International Specialty, London Market and European Property & Casualty ('European P&C').

The International Specialty segment is comprised of:

- Financial Lines;
- Professional Risks;
- Credit and Political Risk;
- Surety; and
- Contingency (including Disability) business.

The London Market segment includes the following lines of business:

- Marine & Energy;
- Property Treaty;
- Property Direct and Facultative;
- Accident and Health (A&H); and
- Delegated Property.

The European P&C segment consists of Japanese Business ('J Business') which is the commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests; and Non- J Business which was local business previously written by TMKI's European branches.

- J Business:
  - Property;
  - Marine & Aviation; and
  - Liability.

- Non-J Business:
  - Intellectual Property;
  - Marine Cargo; and
  - TMSL (French PA & Contingency and Bloodstock) run off, where new TMSL business written in 2020 was part of Contingency in the Specialty sub-segment.

Reinsurance programme
The Company places external and intercompany reinsurance arrangements on lines of business that would otherwise fall outside TME's risk appetite, due to business mix, volatility, or line sizes. External reinsurance is purchased by line of business on a shared basis for the TM HCCI insurance platforms, and reinsurance premiums for excess of loss programmes are allocated across the platforms based on gross written premium. Reinsurance recoveries are allocated based on the share of gross claims suffered by each entity. The reinsurance programme is a key element of the Company's risk mitigation and capital management strategy. The reinsurance structure is submitted to and approved by the Board of Directors annually.

During 2020, intercompany excess of loss and quota share arrangements were in place with TMKI, TM Group and HCCII.

The intercompany reinsurance arrangements with TM Group and TMKI apply to the lines of business previously written by TMKI and its European branches that transferred to TME under the Part VII Transfer. For future policies external and intergroup reinsurance will vary by line of business and/or will inure to the benefit of the intragroup cessions.

Strategy and Market Conditions

The Company's fundamental business philosophy is to produce an underwriting profit and investment income resulting in consistent net earnings which will increase shareholder value. In order to achieve this the Company's strategy is centred on selective and focused management of a diversified portfolio of businesses; continued expansion of its brand throughout 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 the growing business.

Business Performance and Position

Financial Key Performance Indicators (KPIs)
The directors have defined the following KPIs for the business:

	2020	**2019**
	$m	**$m**
Cash and investments	362.0	285.4
Gross premiums written	454.6	507.2
Underwriting (loss)/ profit (excl. investment return)	(0.2)	0.1
Profit/ (loss) before taxation	2.8	(1.4)
Net loss ratio	64.1%	64.9%
Combined ratio	101%	99.8%
Investment return	4.9	4.7
Total Shareholder's funds	154.6	138.5

Results and Performance - Financial year

For the year ending 31 December 2020 the Company reported a loss of $3.9m (2019 $4.2m loss), as set out in the Key Performance Indicators (KPIs).

The Company made a profit before tax for the financial year of $2.8m (2019 $(1.4)m loss) and includes a balance on the technical account for general business of $4.8m (2019 $4.9m). Investment income (net of realised gains and investment expenses) was transferred to the technical account and totalled $5m (2019 $4.7m).

The tax charge for the financial year of $6.7m (2019 $2.7m) reflects Luxembourg Corporate tax law which does not allow tax relief of tax paid by profitable branches against losses of other branches.

The balance on the technical account excluding investment income is $(0.2)m (2019 $0.1m), showing a combined ratio of 101% (2019 99.8%).

The Specialty segment benefitted from organic growth and good rating conditions throughout 2020. The segment result has improved substantially in 2020 ($7.8m loss in 2020 (2019 loss of $11.5m) but was impacted by Covid-19 related losses in the Contingency line, higher attritional losses in Credit and Political Risk and continued challenges of the legacy French Housing Surety business.

The London Market segment benefitted from an improved ratings environment and other market conditions which resulted in contributing $6.9m profit (2019 $8.4m). The growth was also supported by new initiatives and Property Treaty benefitted from no catastrophe losses in the year (2019 nil).

The European P&C segment contributed $3.1m (2019 $5m) to the technical results. Given the nature and complexity of the J Business and its importance to the larger global portfolio, the business is fully ceded to TMNF and the contribution to the technical result represents the override which is set to achieve a profit for TME, covering the acquisition and operating costs of the business. The result on other run-off business was a loss of $2.0m (2019 $1.8m loss).

The non-technical account includes other charges valuing $1.9m (2019 $6.3m), corporate oversight charges and net foreign exchange translation gains/losses.

Overall, the directors are satisfied with the Company's operations and its financial position at 31 December 2020.

Gross Premium Written

Gross Premium Written was $454.6m (2019: $507.2m, $389.6m excluding a reporting adjustment in respect of the Part VII transfers of $117.6m). Gross premium written for the principal lines of business compared to 2019 are presented below:

	2020	**2019**
	$m	**$m**
Financial Lines	141.1	111.0
Surety	39.7	33.6
Contingency (incl Disability)	40.7	47
Credit and Political Risk	10.4	8.2
Professional Risks	8.2	7.3
Other Specialty	0.4	0.2
Total Specialty	**240.5**	**207.3**

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Property Treaty	27.8	24.1
Marine & Energy	35.6	20.6
Delegated Property	3.5	-
Property Direct & Facultative/Accident & Health	1.4	1.6
Total London Market	**68.3**	**46.3**
J Business	115.7	95.5
Non J Business	30.1	40.5
European Property & Casualty	**145.8**	**136**
Gross Premium Written	**454.6**	**389.6**
Part VII - gross unearned premium	-	117.6
Gross Premium Written reported	**454.6**	**507.2**

Gross premium written totalled $454.6m compared to $389.6m (excluding the $117.6m Part VII adjustment) in 2019 across all lines of business. This was driven by a combination of the new business written, together with improved market conditions on existing business, most notably Financial Lines, Professional Risks and London Markets.

Specialty

Financial Lines gross premium written increased to $141.1m (2019 $111m), driven by improved market conditions in commercial PI, and other D&O Financial Lines as well as continuing growth in Cyber business. This has been partially offset by a sharp decrease in the smaller portfolio of Transaction Risk Insurance (TRI) business as a result of Covid-19 which brought activity in this market to a near halt during the second and third quarters of 2020, although there were some encouraging signs of recovery in the fourth quarter.

Surety gross premiums written was $39.7m (2019 $33.6m). The premiums written for the year were in line with expectations which included the positive impact of the expansion of the Surety underwriting team into Europe, which has written $17.3m of business in 2020 (2019 $6.0m) and is performing within expectations. This business has been unaffected by Covid-19.

Contingency gross premiums written increased to $40.7m (2019 $47m) principally due to the transfer of the Non J Business TMSL portfolio in France of $26.1m from the European P&C sub-segment, as this portfolio is further integrated into TME. Underwriting conditions in this line of business were dominated by Covid-19 during 2020.

Credit & Political Risk gross premiums written was $10.4m (2019 $8.2m). Underwriting conditions remain difficult and have been further distorted by Covid-19.

Professional Risks includes Professional Indemnity and Liability business totalling $8.2m (2019 $7.3m), which has grown organically during the year.

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London Market

Property Treaty gross premiums written was $27.8m (2019 $24.1m) and the portfolio is comprised principally of European excess of loss reinsurance business. The strategy of participation on high programme layers and strong client relationships creates a competitive advantage and combined with a sustainable reinsurance programme is producing profitable results.

Marine & Energy gross premiums written was $35.6m (2019 $20.6m) and comprises 60% Marine and 40% Energy. The increase is driven by better rating conditions across the board and the further organic growth in Marine Liability, which was a new line in 2019.

Delegated Property is a new line of business for the Group and $3.5m of premium was written on TME. This niche business primarily consists of risk attaching binders and is expected to continue to grow.

European Property and Casualty (European P&C) gross premiums written was $145.8m (2019 $136m). The segment consists $115.7m (2019 $95.5m) of Japanese Business (Property; Marine & Aviation; and Liability), which is the commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests; and $30.1m (2019 $40.5m) Non-Japanese Business (Non-J Business) (Intellectual Property; Marine Cargo). The movement in the year reflects organic growth in the existing J portfolio, offset by the decision to move the TMSL business to a different segment and the placing of the French Local Property and Casualty portfolio into run-off effective from 1 January 2020.

Future Outlook
The Company's strategy for 2021 includes:

- continued expansion of its brand throughout Europe; and the identification and development of opportunities to grow its business; and
- continued transition to segmental approach to management of underwriting businesses

Investment Performance

The investments of TME are managed by New England Asset Management (NEAM). The investment function is overseen by the Investment Committee which operates under terms of reference set by the Company's Board. The Committee is responsible for preparing, in conjunction with the Company's Investment Managers, the Investment Policy for approval by the Board. It is also responsible for monitoring investment performance and recommending the appointment of investment managers. Also, the risk appetite statements relating to the investment portfolios are monitored and reported at the quarterly Board meetings and the financial investments are managed in accordance with the Investment Policy of the Group and the Company's investment guidelines which ensures compliance with regulatory requirements.

The Company's investment strategy is to invest in investment grade fixed and variable interest rate debt securities and units in unit trusts. The Company has invested the available cash in accordance with the investment strategy.

For the period ended 31 December 2020, the investment result is a net gain amounting to $5m (2019 $4.7m). As at 31 December 2020 the Company holds German, UK and US corporate bonds and other fixed income securities.

Balance sheet

The company balance sheet shows total assets of $1,232m (2019 $999.2m) and shareholder's equity of $154.6m (2019 $138.5m). Of the total assets, $362.0m, i.e. 29.4% (2019 $285.4m 28.6%) is represented by financial investments and cash at bank. Net technical liabilities from insurance contracts were $173.0m (2019 $104.0m).

Capital and reserves

Capital and reserves amount to $154.6m ($2019 $138.5m) with an increase of $16.1m. TME's issued share capital as at the date of this Directors' Report is comprised of a single class of 1,159,060 Ordinary Shares of $1.00 each. The Company received a capital contribution from it's parent of $20.0m during the year (2019 $20.0m) effected by increasing TME's share premium account.

Principal Risks and Uncertainties

The Company has identified the principal risks arising from its activities and has established policies, procedures and mitigation frameworks 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; Credit; Liquidity; and Operational. These risk areas, along with the actions taken by TME to manage and mitigate, are discussed below and further detail is provided in Note 5.

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The Board has established risk appetites covering the amount and type of risk the Company is prepared to seek, accept or tolerate and these risk appetites are embedded in policies, authorities and limits across TME.

Risk	Description	Mitigating Actions/Factors
Insurance Risk	TME's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are: • Premium Risk; • Reinsurance Risk; • Claims Management Risk; • Reserving Risk.	• 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 TME's balance sheet. • Monitoring aggregated exposures using catastrophic modelling tools.
Strategic, Regulatory and Group	Risks which arise from: • Appropriateness of TME's strategy or TME's ability to implement its strategy; • TME's compliance with regulatory and legal requirements in the markets in which TME operates; • Potential impacts on TME arising from the actions of other members of the TMHCC (and TM) Group.	• Setting and regularly monitoring key strategic performance indicators and associated risk metrics. • 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	Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices.	• 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 TME's overall risk appetites. • Setting and regularly monitoring investment key performance indicators and associated risk appetites. • Independent investment experts assist with the implementation of the investment strategy and monitoring of the economic environment and investment performance. • Foreign exchange risk is mitigated by the fact that most of our premiums and claims are paid in Euros. Additionally, our Finance department regularly monitor and address where necessary currency mismatches between assets and liabilities.

Credit	Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for TME are from reinsurers; brokers and coverholders; investments; and financial institutions holding cash.	• Setting and regularly monitoring counterparty exposure risk appetites. • Limiting exposure to a single counterparty or a group of counterparties, outside of TMHD Group Companies. • Established guidelines and approval procedures for counterparties.
Liquidity	Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. TME is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In most cases, these claims are settled from premiums received.	• TME maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. • TME can also draw on parental funds to bridge short-term cash flow requirements, should the need arise.
Operational	Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events.	• Performing business activities in a fair, honest and transparent manner that complies fully with applicable Luxembourg and European markets' local legal and regulatory requirements, and internal policies and procedures. • Setting and regularly monitoring operational risk appetites and metrics. • 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.

Given the nature of TME's business, the largest risks fall under the category of Insurance risk, reflecting the potential for unexpected losses – either catastrophe or systemic – that may fall outside business plan parameters. These risks are closely monitored and robustly managed.

In addition to monitoring TME's existing and established principal risks, the risk management framework is designed to support the identification of developing and emerging risks; those which have the potential to impact, or require a review of, the existing strategic objectives. The following additionally risks have been identified as material:

- Sustainability Risk
- Covid 19 Pandemic
- Post Brexit Risk

Sustainability Risk

The issue of Sustainability, whether it relates to the strategic and operational risks of addressing environmental, social and governance concerns, including climate change, or our social responsibilities to both our external and internal stakeholders, is not a new risk, but its profile has been raised significantly since 2019 and into 2020.

Progress has been made by the Company in 2020 towards articulating our philosophy related to Sustainability, and all its component elements, through the establishment of a Sustainability Committee. This Board-delegated committee, and its various sub-groups, have responsibility for agreeing TME's strategy and risk appetite and will coordinate the advancement and implementation of sustainability initiatives, as well as initiating development of potential stress and scenario tests which may provide insight into the climate change risks. Sustainability risk is also in the process of being incorporated into our risk management framework.

Covid-19

TME's strong risk and governance frameworks ensured it continued to operate effectively in the new pandemic environment which emerged in March 2020. Part of the adaptation to that new environment was the development of a pandemic risk register to sit alongside the existing frameworks and which were incorporated into reporting to the Risk & Capital Management Committee. The table below illustrates the principal potential risks for TME's business and operations by risk area, that were identified as a result of the pandemic risk review. The overall strategy of TME includes some fundamental aspects which mitigated the potential impacts of these Covid-19 risks and the various mitigations in place to reduce the impact of these risks are also described in the table below.

Risk Area	**Principal Potential Pandemic Risks**	**Mitigating actions/factors**
Insurance	• Increased claims activity. • Reinsurance exhaustion. • Insufficient reserves held. • Reduction in future business. • Inability to purchase future reinsurance.	• Contract-by-contract review of direct and indirect potential exposures. • Consideration of the impact of the global economic environment on the portfolios. • Daily underwriter briefings ensure senior management is kept abreast of the rapidly developing market conditions, enabling the business to operate proactively. • Comprehensive outwards reinsurance purchased from high quality reinsurers with whom TME has long-standing trading relationships. • Several unlimited Quota Share treaties in place (internal and with third parties) for a number of lines of business. • Partnering with reinsurers as claims develop. • Reserving policy produces accurate and reliable estimates that are consistent over time and across classes of business.
Strategic, Regulatory and Group	• Inability to implement strategy. • Inability to meet future business plan targets. • Failure of other TM Group companies.	• Diversified and well-balanced portfolio of business comprised of a number of non-correlating lines of business. • Comprehensive outwards reinsurance purchased from high quality reinsurers with whom TME has long-standing trading relationships. • Maintain good liquidity. • Reserving policy produces accurate and reliable estimates that are consistent over time and across classes of business.

Risk Area	**Principal Potential Pandemic Risks**	**Mitigating actions/factors**
		• Regular monitoring of regulatory capital and maintenance of a high excess over regulatory capital. • Each TM Group company independently capitalised.
Market	• Investment market volatility. • Asset /Liability mismatch due to different claims/premium profiles.	• Investment in secure and readily realisable assets.
Operational	• Inability of the business to fully work remotely. • Staff welfare/sickness issues. • IT Security / Fraud issues. • Outsourcing arrangements do not function as expected.	• IT infrastructure and software have enabled a smooth transition to remote working without substantial disruption. • Early instigation of the established business continuity protocols, which included specific pandemic responses facilitating a successful quick transition of TME's operations from primarily office-based to almost exclusively remote-based. • To assist with staff welfare, the introduction of a range of initiatives (such as online coffee mornings, staff surveys, training sessions, additional employee assistance services), as well as the close monitoring of staff perceived to be particularly at risk by both managers and HR. • Each material outsource arrangement has regular audits confirming the appropriateness of the supplier's own business continuity arrangements, allied with closer interaction with the suppliers during the pandemic, to ensure early identification of any potential issues. • Additional monitoring of third-party outsourcing where considered appropriate.
Credit	• Reinsurance / premium or investment counterparties unable to make payments.	• Comprehensive outwards reinsurance purchased from high quality reinsurers with whom TME has long-standing trading relationships. • Proactive claims mitigants in place with reinsurer involvement. • Increased cash flow and reinsurance credit monitoring.
Liquidity	• Disinvesting from assets due to increase in claim payments, delay in reinsurance recovery payments and decrease in premium inflows.	• Investment in secure and readily realisable assets.

Post Brexit Risk

TME was established in response to the United Kingdom's vote to leave the EU and commenced underwriting on 1 January 2019. The United Kingdom left the EU on 31 January 2020 and, late in 2020, the EU-UK Trade and Cooperation Agreement was signed and came into provisional force as the Brexit Transition Period ended on 31 December 2020. European risks presented in the London Market have been underwritten through TME's branch in the UK. From 1 January 2021, new and renewing European risks across all lines of business will be written out of one of TME's EEA branches. Uncertainties related to the future reciprocal market access rights of financial services companies leaves some residual post Brexit risk for TME. To mitigate this risk, TME is keeping in close contact with both the market and European regulators, including the CAA, to ensure that any issues are identified early and appropriate action is taken.

Future Outlook

TME continues to consider profitable opportunities in complementary and new lines of business, through expansion of teams, venturing into new territories and potential acquisitions. Following the UK's exit from the European Union on 31 January 2020 and the end of the transition period on 31 December 2020, TME's branch network across Europe, increases in importance for TM HCCI and helps to facilitate these opportunities. With over 303 employees located in Luxembourg and its ten branches across Europe and a strong capital base, TME is well positioned for sustainable growth given the requisite market conditions.

The Board consider that the impact of Covid-19 on TME is limited to the Event Cancellation business written within the Contingency subs-segment which has comprehensive reinsurance with high quality reinsurers.

Subsequent events

There are no significant post balance sheet events to be disclosed.

Other items

The Company did not acquire any of its own shares during the year ended 31 December 2020.

The Company did not carry out any activities in the field of research and development during the year under review.

Appropriation of profit

At the Annual General Meeting, the Board of Directors will propose to bring forward the Company's 2020 loss of $(3.9)m. There will be no allocation to the legal reserve (2019 nil).

Board of Directors
The directors who held office during the financial period and to the date of this report were as follows:

B J Cook (Non-Executive Director)
P Engelberg (*Chairman)* (Non-Executive Director)
C Kanu (Chief Executive Officer) appointed 1 April 2020
TJ G Hervy (Group Executive)
K L Letsinger (Non-Executive Director)
P Méresse (Non-Executive Director) appointed 1 April 2020
H Mishima (Group Executive) appointed 1 April 2020
H-D Rohlf (*Chairman)* (Non-Executive Director) resigned 31 March 2020
G White (Group Executive) resigned 10 September 2020
S Urano (Group Executive) resigned 31 March 2020

No directors had any interest in the shares of the Company during the period ended 31 December 2020.

Independent Auditors
PwC Luxembourg (PricewaterhouseCoopers Société Coopérative) acted as auditors of the Company for the period from 1 January 2020 to 31 December 2020.

Luxembourg,

On behalf of the Board of Directors

DocuSigned by:
Christian Kanu
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C Kanu
Director

Audit report

To the Shareholder of
Tokio Marine Europe S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Tokio Marine Europe S.A. (the "Company") as at 31 December 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2020;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

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

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of incurred but not reported ('IBNR') loss reserves As at 31 December 2020, IBNR loss reserves included within the "claims outstanding" represent a significant accounting estimate in the annual accounts, as set out in Note 3.7.2. The methodologies and assumptions used by the Management to estimate the IBNR loss reserves involve a significant degree of judgement. Especially, the volatility attached to the estimate for the larger classes of insurance risks, such as Financial Lines and Liability, where small changes in the assumptions adopted in the estimation process and methodology, can lead to significant impact on the IBNR loss reserves estimate.	We have gained an understanding, evaluated and tested the design and operational effectiveness of the relevant controls in place with respect to the valuation of IBNR loss reserves. In performing our work over the valuation of IBNR loss reserves, we used our own actuarial specialists, to assist us in the following procedures: • Developing independent re-projections for selected classes of insurance risks considered to be higher risk, particularly focusing on the largest and most uncertain estimates. For these classes, we compared our re-projected estimates to those booked by the Company; • For the other classes of insurance risks, performing a combination of testing of the methodology and assumptions, used by the Company to derive the IBNR loss reserve estimates, as well as analytical procedures, to assess whether the booked reserves reflect reasonable estimates based on underlying facts and circumstances; • Additionally, agreeing to supporting documentation, on a sample basis, the underlying source data used in the computation of the loss reserves.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the directors' report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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 Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The directors' report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 2 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 22 March 2021

Electronically signed by:
Sylvia Pucar

Sylvia Pucar

TOKIO MARINE EUROPE S.A.
BALANCE SHEET
As at 31 December 2020

ASSETS

	Notes	2020	2019 As restated
		$'000	$'000
Investments			
Other financial investments			
Shares and other variable yield transferable securities and units in unit trusts	7	369	20,724
Debt securities and other fixed income transferable securities	7	211,835	170,831
Deposits with credit institutions		11,042	28,314
		223,246	219,869
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	107,621	88,681
Claims outstanding	9	514,648	407,768
		622,269	496,449
Subrogation and Salvages	10	1,002	1,135
		1,002	1,135
Debtors			
Debtors arising out of direct insurance operations			
Intermediaries	11	121,186	98,600
Debtors arising out of reinsurance operations	11	80,224	76,001
Other debtors	11	10,971	13,373
		212,381	187,974
Other assets			
Cash at bank and in hand	12	138,794	65,569
Tangible assets and stocks	12	2,014	698
		140,808	66,267
Prepayments and accrued income			
Deferred acquisition costs	13	30,916	25,661
Other prepayments and accrued income	14	1,771	1,830
		32,687	27,491
Total assets		**1,232,393**	**999,185**

The accompanying notes form an integral part of the annual accounts.

TOKIO MARINE EUROPE S.A.
BALANCE SHEET
As at 31 December 2020

LIABILITIES

	Notes	2020 $'000	2019 As restated $'000
Capital and reserves			
Subscribed capital or equivalent funds	15	1,159	1,159
Share premium account	15	161,232	141,232
Legal reserve	15	15	15
Other reserve	15	285	285
Profit or loss brought forward		(4,164)	-
Profit or loss for the financial year	15	(3,940)	(4,164)
		154,587	138,527
Technical provisions			
Provision for unearned premiums	8	178,248	138,315
Claims outstanding	9	618,008	463,434
		796,256	601,749
Subrogation and Salvages, reinsurers' share	10	(31)	(132)
		(31)	(132)
Creditors			
Creditors arising out of direct insurance operations	16	22,240	44,768
Creditors arising out of reinsurance operations	16	133,936	112,116
Other creditors, including taxation and social security	16	55,445	35,243
		211,621	192,127
Accruals and deferred income	17	69,960	66,914
Total liabilities		**1,232,393**	**999,185**

The accompanying notes form an integral part of the annual accounts.

TOKIO MARINE
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TOKIO MARINE EUROPE S.A.
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2020

TECHNICAL ACCOUNT Non-Life Insurance	***Notes***	**Year ending 31 December 2020** **$'000**	**Year ending 31 December 2019 As restated** **$'000**
Earned premiums			
Gross premiums written	18	454,563	507,172
Outward reinsurance premiums	19	(305,842)	(399,427)
Change in the provision for unearned premiums		(30,476)	(136,821)
Change in the provision for unearned premiums, reinsurers' share		12,912	93,480
		131,157	**64,404**
Allocated investment return transferred from the non-technical account	21	**4,964**	**4,725**
Other technical income, net of reinsurance	22	**735**	**347**
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		(206,452)	287,491
- reinsurers' share		119,128	(277,783)
Change in the provision for claims outstanding	9		
- gross amount		(106,018)	(475,770)
- reinsurers' share		64,666	418,320
Change in subrogation and salvages	10		
- *gross amount*		51,564	13,694
- *reinsurers' share*		(6,900)	(7,766)
	23	**(84,012)**	**(41,814)**
Net operating expenses			
Acquisition costs	25	(76,672)	(99,775)
Change in deferred acquisition costs		3,661	25,511
Administrative expenses	26	(66,597)	(63,276)
Reinsurance commissions and profit participation	27	91,552	114,747
		(48,056)	**(22,793)**
Balance on the technical account for non-life insurance business		**4,788**	**4,869**

The accompanying notes form an integral part of the annual accounts.

TOKIO MARINE EUROPE S.A.
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2020

NON-TECHNICAL ACCOUNT

	Notes	Year ending 31 December 2020 $'000	Year ending 31 December 2019 $'000
Balance on the technical account non-life insurance business		**4,788**	**4,869**
Investment income			
Income from other investments		5,933	5,261
Gain on realisation of investments		559	42
		6,492	**5,303**
Investment management charges, including interest		(1,528)	(578)
Investment Charges		**(1,528)**	**(578)**
		4,964	**4,725**
Allocated investment return transferred to the non-technical account	21	**(4,964)**	**(4,725)**
Other charges, including value adjustments	28	(1,952)	(6,318)
Profit / (Loss) on ordinary activities before tax		**2,837**	**(1,449)**
Tax on Profit or (Loss) on ordinary activities	29,33	(6,777)	(2,715)
Profit or loss on ordinary activities after tax		**(3,940)**	**(4,164)**
Profit or loss for the financial year		**(3,940)**	**(4,164)**

The accompanying notes form an integral part of the annual accounts.

1. General information

Tokio Marine Europe S.A. ('the Company') was incorporated on 8 February 2018 and is organised under the "Commercial Companies" laws of the Grand Duchy of Luxembourg as a public limited liability company (Société Anonyme). The Company is registered with the Register of Commerce and Companies of Luxembourg under section B221975.

On 10 April 2018, an insurance licence was granted to the Company by the Minister of Finance.
On 1st of June 2020 the the Company changed the registered office of the Company to 26, Avenue de la Liberté L-1930 Luxembourg.

The financial year of the Company begins on 1 January and ends on 31 December of each year.

2. Presentation of the annual accounts

The annual accounts of the Company have been prepared in accordance with the Law of 8 December 1994 on the annual accounts of insurance and reinsurance undertakings, as amended from time to time, and with the generally accepted accounting policies for the insurance and reinsurance industry in the Grand Duchy of Luxembourg. The accounting policies and the valuation rules, apart from those defined by Luxembourg law or by the Commissariat aux Assurances are determined and applied by the Board of Directors.

All amounts in these annual accounts are presented in US Dollars.

The 2019 opening balances include the impact of two main transactions, the Part VII transfer where TME, HCCII and TMKI underwent the legal process to transfer HCCII and TMKI insurance and reinsurance contracts underwritten historically by their European branches, and the cross-border merger of HCC Global Financial Products S.L. (HCCG) into TME's Spanish branch, with net assets transferred of $352.3m respectively, $2.4m.

Also, the 2019 claims incurred have been restated to exclude the change in subrogation and salvages. Restatement paragraph at note 10 presents the amended 2019 opening balances.

Additionally, the 2019 "cash at bank and in hand" has been restated to reclassify the amount of $28m from "cash at bank and hand" to "deposit with credit institutions".

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumption changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities in the next financial years. 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

In the context of the "Covid-19" pandemic, since the first half of 2020, Management has paid particular attention to the possible impacts linked to the health crisis on certain significant elements of its balance sheet and its income statement, and more particularly to aspects of valuation and recoverability of investments and receivables, but also the estimation of technical provisions. Indeed, as mentioned above, forward-looking and / or estimated elements may enter into the calculation of certain items in the annual accounts and be impacted by the pandemic and its related events, in particular greater volatility of the financial markets, but also a higher level of uncertainty in apprehending certain parameters relevant to the calculation of technical provisions. Based on its monitoring and the controls and analysis put in place, Management has not identified any major impacts on the annual accounts requiring additional mention in the annual accounts.

3. Summary of significant accounting policies

The significant accounting policies applied by the Company are as follows:

3.1. Translation of items expressed in foreign currencies

The Company's accounting records are maintained in US Dollars, which is the Company's functional and presentation currency. Foreign currency transactions are recorded using the spot exchange rates at the dates of the transactions into the functional currency. At each period end, foreign currency monetary assets and liabilities are revalued using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Exchange differences, including un-realised gain, arising on the revaluation of foreign currency amounts to the functional currency are recognised in the profit and loss account.

3.2 Other financial investments

3.2.1 Shares and other variable yield transferable securities and units in unit trusts

Shares and other variable yield transferable securities and units in unit trusts are valued at the lower of acquisition cost, including expenses incidental thereto and calculated based on the specific identification method or market value. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

3.2.2 Debt securities and other fixed income transferable securities

Debt securities and other fixed income transferable securities are valued at amortised cost with premiums and discounts amortised over the period to maturity.

The amortised cost of debt securities and other fixed income transferable securities are evaluated periodically and adjusted for credit risk in cases where a decrease in the ultimate recovery value is considered to be of a durable nature. These value adjustments may not be carried when the reasons for which they were made cease to apply.

Discounts and premiums represent the positive and negative differences, respectively, between the amounts repayable at maturity compared to the purchase price of these securities and are accrued or amortised in instalments over the period until maturity.

3.3 Reinsurer's share of technical provisions

The share of technical provisions for ceded business is determined with reference to the contractual agreement and calculated by underlying gross business.

3.4 Debtors

Debtors are valued at their nominal value, less deductions for impairment, if applicable.

3.5 Other assets

Other assets include cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts and are valued at nominal value. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

3.6 Prepayments and accrued income

3.6.1 Deferred acquisition cost

Acquisition costs related to non-life insurance policies are deferred and amortised consistent with the recognition of unearned premiums.

3.6.2 Other prepayments and accrued income

Other prepayments and accrued income include other expenditure incurred during the financial period which relates to a subsequent financial year and income relating to the current financial period, but which is not receivable until a subsequent financial period.

3.7 Technical provisions

3.7.1 Provision for unearned premiums and unexpired risks

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.

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following or subsequent financial year, computed separately for each insurance contract using the daily pro rata method. The proportion attributable to subsequent periods are deferred as a provision for unearned premiums.

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date.

The provision for unexpired risks is recognised when the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision. In determining the need for an unexpired risk provision the different classes of business have been regarded as business that is managed together.

Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision would be included within ‘Other technical provisions’.

3.7.2 Provision for claims outstanding and related reinsurance recoveries

Claims provisions and related reinsurance recoveries

A 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 Company. The estimated cost of claims includes expenses to be incurred in settling claims and deduction for expected value of salvage and other recoveries. The Company 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.

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 Company 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.

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 Company, where more information about a claim event is generally available. Claims IBNR may not become known to the insurer until many years after the event giving rise to the claim. 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 Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Allowance is made 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 Company 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.

Where possible, the Company 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.

Outstanding claims comprise provisions for the estimated costs of settling all claims incurred up to but not paid at the balance sheet whether reported or not, together with related claims handling expenses. Claims incurred includes all claims payments made in respect of the financial period, claims handling expenses and the movement in provision for outstanding claims and claims handling expenses.

3.8 Insurance contracts

i. Classification of insurance contracts

The Company issues insurance contracts that transfer significant insurance risk.

ii. 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:

a. Premiums written

Premiums written relates to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Premiums are presented 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 Company not yet notified. Outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related inwards business.

b. Acquisition costs

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

c. Claims incurred

Claims incurred comprise of 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.

Credit and Surety, London Market and European P&C

The majority of this business is “short tail”, that is, where claims are usually made during the term of the policy or shortly after the policy has expired. The cost of claims notified to the Company at the balance sheet date is estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous years have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Professional Risks and Financial Lines
These claims are longer tail than those of the other classes of business described above and so a larger element of the claims provision relates to IBNR. Claims estimates for the Company's Professional Risks and Financial Lines businesses, as with other lines, are derived initially from a combination of loss ratio based estimates followed after a period of time reflecting the longer tail by estimates based upon actual claims experience. Alternative projection methods may be employed. The initial estimate of the loss ratio is based on the experience of previous years, adjusted for factors such as premium rate changes, claims inflation and market environment. The estimate of claims inflation and anticipated market environment is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract.

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 the International platforms based on gross premiums written. Reinsurance recoveries are allocated based on the share of gross losses suffered by each carrier. Additionally, the Company purchases quota share reinsurance to balance line size and premium where it is prudent to do so.

The reinsurers' share of claims incurred in the profit and loss account 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 Profit and Loss Account as "outwards reinsurance premiums"over the expected exposure period.

Subrogation and salvage
Recoveries arising out of subrogation or salvage are estimated on a prudent basis and included within "Debtors arising out of direct insurance operations".

3.9 Provision for other risk and charges
Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small. Provisions for levies are recognised on the occurrence of the event identified by legislation that triggers the obligation to pay the levy.

Provision for other risks and charges are intended to cover losses or debts whose nature is clearly defined but are, at the balance sheet date, either likely or certain to be incurred but amounts are indeterminable.

3.10 Taxation
Provision for taxation includes estimated income tax liabilities for financial periods for which a definitive taxation assessment has not yet been received from the fiscal authorities and unpaid final tax liabilities. Advance tax payments are recognised under the position "Other debtors".

Taxation expense for the period comprises current tax recognised in the year. Current tax is the amount of income tax payable in respect of the taxable profit for the year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

3.11 Creditors
Creditors include mainly intercompany balances, tax and social security payables and are valued at their nominal value.

3.12 Accruals and deferred income

This item includes income received during the financial year but relating to a subsequent financial year, and charges that relate to the current financial year but payable in a subsequent financial year.

3.13 Allocated investment return transferred to the non-technical account

The allocated investment return represents a transfer of investment results from the technical account to the non-technical account. The calculation of allocated investment return is based on the actual return generated by the investments covering technical provisions.

3.14 Administrative expenses

The administrative expenses are allocated by nature and destination to the insurance business, the investment business and to other charges on an imputed basis.

3.15 Value adjustments

Value adjustments are deducted from the related individual asset category.

A value adjustment is the amount by which the carrying value exceeds another lower value attributed to the asset.

Value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. A reversal of a value adjustment is recognised in the profit and loss account.

4. Judgements and key sources of estimation uncertainty

Estimation of the ultimate net claims 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.

i. The ultimate liability arising from claims made under insurance contracts

The estimate of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are many sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims, historical experience, case law and legislative and judicial actions (note 3.8.2).

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the annual accounts for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

ii. Pipeline premium

The Company makes an estimate of premiums written during the year that have not yet been notified by the financial year end ('pipeline premiums') based on prior year experience and current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element.

5. Risk management

The Company 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 sections below outline the Company's risk appetite and explain how it defines and manages each category of risk.

5.1 Insurance risk

The Company's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting including delegated authorities, reinsurance purchasing, claims management and reserving. Each element is considered below.

5.1.1 Underwriting risk

Underwriting risk relates to the potential claims arising from inadequate underwriting. There are four elements that apply to all insurance products offered by the Company:

- cycle risk – the risk that business is written without full knowledge as to the (in) adequacy of rates, terms and conditions;
- event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

The Company manages and models these four elements in the following three categories; attritional claims, large claims and catastrophe events.

The Company's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes.

To manage underwriting exposures, the Company has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including an escalation process for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance and a rigorous peer and external review process are in place.

Rate monitoring, including risk adjusted rate change and adequacy against benchmark rates, are recorded and reported.

The annual corporate budgeting process comprises a three year Plan which incorporates the Company's underwriting strategy by line of business and sets out the classes of business, the territories and the industry sectors in which business is to be written. The Plan is approved by the directors and monitored by the underwriting committees on a monthly basis.

Underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include, but are not limited to, the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models.

The Company also recognises that insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the Company sets out its risk appetite (expressed as Probable Maximum Loss estimates ('PML') and modelled return period events) in certain territories as well as a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. The aggregate position and modelled loss scenarios are monitored at the time of underwriting a risk and reports are regularly produced to highlight the key aggregations to which the Company is exposed.

The Company uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible, the Company measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

The Company's catastrophe risk appetite set by the directors is limited to a gross PML aggregate of no more than 200% of Capital and for a probability of gross catastrophe event exceeding 50% of Capital of less than 5%.

Additionally, the appetite for non-modelled risk and other potential non-Natural Catastrophe perils is included within the Catastrophe appetites noted above.

i. Reinsurance risk

Reinsurance risk arises where reinsurance contracts:

- do not perform as anticipated;
- result in coverage disputes; or
- prove inadequate in terms of the vertical or horizontal limits purchased.

Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section. See Note 5.5.

The purchase of reinsurance is a key tool utilised to manage underwriting risk. The Company's reinsurance programme is comprised predominantly of excess of loss cover and intergroup quota share 100% reinsurance net of facultative with TM HCCI (Financial Lines) and TMNF (J business) . Prior to placement of the programme, it is modelled against significant historic and modelled events across the peak exposure areas. The programme is purchased on a class of business basis, modelling catastrophe, large and attritional losses separately.

Consideration is given to a number of factors when setting minimum retention including the Annual Aggregate Loss ('AAL') for catastrophe exposed lines. Where market opportunity allows, additional reinsurance is purchased. Quota share and facultative reinsurance is also utilised where considered appropriate. A Tokio Marine HCC Group reinsurance approval group examines and approves all reinsurers to ensure that they possess suitable security. The Company's reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts and monitors and instigates the Company's responses to any erosion of the reinsurance programmes.

ii. Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company brand and undermine its ability to win and retain business or incur punitive damages. These risks can occur at any stage of the claim life cycle.

The Company's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

iii. Reserving risk

Reserving risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The Company's reserving process is governed by the IBNR Committee, a subcommittee of the Board, which meets on a quarterly basis (more frequently if catastrophic events require). The membership of the IBNR Committee is comprised of executives, actuarial, claims and finance representatives. A fundamental part of the reserving process involves information from and recommendations by each underwriting team for each underwriting year and reserving class of business. These estimates are compared to the actuarial estimates (described in further detail below) and management's best estimate of IBNR is recorded. It is the policy of the Company to carry, at a minimum, the actuarial best estimate. It is not unusual for management's best estimate to be higher than the actuarial best estimate.

The actuarial reserving team uses a range of recognised techniques to project current paid and incurred claims and monitors claim development patterns. This analysis is then supplemented by a variety of tools including back testing, scenario testing, sensitivity testing and stress testing.

Gross and net development triangles of the estimate of ultimate claim cost for claims notified in a given year are presented below and give an indication of the accuracy of the Company's estimation technique for claims payments.

5.2 Strategic, regulatory and group risk

The Company manages strategic, regulatory and group risks together. Each element is considered below:

i. Strategic risk

This is the risk that the Company's strategy is inappropriate or that the Company is unable to implement its strategy. Where an event exceeds the Company's strategic plan, this is escalated at the earliest opportunity through the Company's monitoring tools and governance structure.

On a day-to-day basis, the Company's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the Company as a whole.

ii. Regulatory risk

Regulatory risk is the risk arising from not complying with regulatory and legal requirements. The operations of the Company are subject to legal and regulatory requirements within the jurisdictions in which it operates, and the Company's compliance function is responsible for ensuring that these requirements are adhered to. Regulatory risk includes capital management risk.

Capital management

The Company estimates its economic capital requirements using an internal model (the Economic Capital Model ('ECM')) which, the Directors believe, is the most appropriate tool to determine the Company's medium term capital needs. For Solvency purposes, the Company measures its regulated capital requirement using the Standard Formula Solvency Capital Requirement ('SF SCR'). The Board has reviewed the SF SCR against the ECM and has concluded that the SF SCR is appropriate. The SF SCR is measured against the Company's Solvency II Available Assets to monitor its Solvency. Given the inherent volatility of the SF SCR and Solvency II Available Assets, the Company carries an amount in excess of the regulatory minimum. As at 31 December 2020 Solvency II Available Assets are in excess of 133% (2019 – 157%) of the regulatory minimum.

iii. Group risk

Group risk occurs where business units fail to consider the impact of other parts of a group on the Company, as well as the risks arising from these activities. There are two main components of group risk which are explained below.

a. Contagion

Contagion risk is the risk arising from actions of one part of a group which could adversely affect any other part of the group. The Company is a member of the Tokio Marine group and therefore may be impacted by the actions of any other group company. This risk is managed by operating with clear and open lines of communication across the group to ensure all group entities are well informed and working to common goals.

b. Reputation

Reputation risk is the risk of negative publicity as a result of the Tokio Marine group's contractual arrangements, customers, products, services and other activities. The Company's preference is to minimise reputation risks, but it is not possible or beneficial to avoid them, as the benefits of being part of the group brand are significant.

The Company considers reputation risk as an impact on all risk events in the Risk Register, but not as a risk in its own right.

5.3 Market risk

Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices. Managing investment risk as a whole is fundamental to the operation and development of the Company's investment strategy key to the investment of Company assets.

The investment strategy is developed by reference to an investment risk budget, which is reviewed annually by the directors as part of the overall risk budgeting framework of the business.

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis. The internal model includes an asset risk module, which uses an Economic Scenario Generator ('ESG') to simulate multiple simulations of financial conditions, to support stochastic analysis of investment risk. Internal model output is used to assess potential investment downsides, at different confidence levels, including '1 in 200' year event, which reflects Solvency II modelling requirements. In addition, the Company undertakes regular scenario tests (which look at shock events such as yield curve shifts, credit spread widening, or the repeat of historic events) to assess the impact of potential investment losses.

ESG outputs are regularly validated against actual market conditions, but (as noted above) the Company also uses a number of other qualitative measures to support the monitoring and management of investment risk.

i. Foreign exchange risk

The Company's functional and reporting currency is the US Dollar and when possible the Company generally hedges currency monetary liabilities (excluding unearned premium and deferred acquisition costs) with assets in those same currencies. Excess assets are generally held in US Dollars. The effect of this on foreign exchange risk is that the Company is mainly exposed to revaluation FX gains/losses of unmatched non-US Dollar denominated positions

FX risk exposure	**AUD $**	**CAD $**	**CHF Fr**	**EUR €**	**GBP £**	**Subtotal**	**USD $**	**Total**
31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	18,121	569	4,005	805,696	21,822	850,214	381,208	1,231,422
Total liabilities	(18,825)	(812)	-	(798,147)	(43,103)	(860,885)	(215,950)	(1,076,835)
Net assets	**(703)**	**(243)**	**4,006**	**7,549**	**(21,281)**	**(10,672)**	**165,258**	**154,587**
Net profit/(loss) for the year	**720**	**(266)**	**6,042**	**25,946**	**(9,582)**	**22,859**	**(26,799)**	**(3,940)**

FX risk exposure	**AUD $**	**CAD $**	**CHF Fr**	**EUR €**	**GBP £**	**Subtotal**	**USD $**	**Total**
31 December 2019 restated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	11,585	442	(302)	659,972	12,809	**684,506**	313,677	**998,183**
Total liabilities	(13,008)	(420)	(1,734)	(678,368)	(24,508)	**(718,037)**	(141,619)	**(859,656)**
Net assets	**(1,423)**	**22**	**(2,036)**	**(18,396)**	**(11,698)**	**(33,531)**	**172,058**	**138,527**
Net profit/(loss) for the year	**(71)**	**7**	**(626)**	**17,594**	**(21,860)**	**(4,956)**	**792**	**(4,164)**

Investments and cash – foreign exchange exposure sensitivity	**Impact on profit after tax**		**Impact on net assets**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Dollar weakens 30% against other currencies	5,555	(1,204)	(3,202)	(10,059)
Dollar weakens 20% against other currencies	3,703	(803)	(2,134)	(6,706)
Dollar weakens 10% against other currencies	1,852	(401)	(1,067)	(3,353)
Dollar strengthens 10% against other currencies	(1,852)	401	1,067	3,353
Dollar strengthens 20% against other currencies	(3,703)	803	2,134	6,706
Dollar strengthens 30% against other currencies	(5,555)	1,204	3,202	10,059

ii. Interest rate risk

Some of the Company's financial instruments, including cash and certain financial assets are exposed to movements in market interest rates.

The Company manages interest rate risk by investing primarily in short duration financial assets along with cash. The Investment Committee monitors the duration of these assets on a regular basis.

Changes in interest rates also impact the present values of estimated Company liabilities, which are used for solvency calculations. The Company's investment strategy reflects the nature of the Company's liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

The following table shows the average duration at the reporting date of the financial instruments that are exposed to movements in market interest rates. Duration is a commonly used measure of volatility and the Company believes this gives a better indication than maturity of the likely sensitivity of the Company's investment portfolio to changes in interest rates.

Investments and cash - duration	**<1 yr**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5-10 yrs**	**>10 yrs**	**Total**
31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities	369	-	-	-	-	-	-	369
Debt Securities	39,027	19,726	32,080	23,573	17,633	53,468	26,328	211,835
Deposits with credit institutions	11,042	-	-	-	-	-	-	11,042
Sub Total	**50,437**	**19,726**	**32,080**	**23,573**	**17,633**	**53,468**	**26,328**	**223,246**
Cash at bank and in hand	138,794	-	-	-	-	-	-	138,794
Total	**189,231**	**19,726**	**32,080**	**23,573**	**17,633**	**53,468**	**26,328**	**362,040**

Investments and cash - duration	**<1 yr**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5-10 yrs**	**>10 yrs**	**Total**
31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities	20,724	-	-	-	-	-	-	20,724
Debt Securities	15,547	28,937	19,731	33,910	16,273	40,857	15,576	170,832
Deposits with credit institutions	28,314	-	-	-	-	-	-	28,314
Sub Total	**64,585**	**28,937**	**19,731**	**33,910**	**16,273**	**40,857**	**15,576**	**219,870**
Cash at bank and in hand	65,569	-	-	-	-	-	-	65,569
Total	**130,154**	**28,937**	**19,731**	**33,910**	**16,273**	**40,857**	**15,576**	**285,439**

Changes in interest yields, with all other variables constant, would result in changes in the market value of debt securities as well as subsequent interest receipts and payments. This would affect reported profits after tax and net assets as indicated in the table below:

Sensitivity analysis

Investments and cash – interest rate sensitivity	**Impact on profit after tax**		**Impact on net assets**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
100 basis points increase	(10,494)	(8,027)	(10,494)	(8,027)
50 basis points increase	(5,268)	(3,983)	(5,268)	(3,983)
50 basis points decrease	4,370	3,837	4,370	3,837
100 basis points decrease	7,270	7,639	7,270	7,639

5.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

The Company actively manages and minimises operational risks where appropriate. This is achieved by implementing and communicating guidelines and detailed procedures and controls to staff and other third parties. The Company regularly monitors the performance of its controls and adherence to procedures through the risk management reporting process. Key components of the Company's operational control environment include:

- modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

Addressing conduct risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers. The Company's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of conduct risk. However, conduct risk is not limited to the fair treatment of customers and the Company's Conduct Risk Policy broadly defines conduct risk as "…the risk that detriment is caused to the company, our customers, clients or counterparties because of the inappropriate execution of our business activities."

The Company therefore seeks at all times to perform its business activities in a manner that is not only fair, honest and transparent but that also complies fully with applicable Luxembourg and International laws and regulations and internal policies and procedures. The Company ensures that this ethos is clearly communicated from the Board of directors downwards to all members of staff and oversight is provided throughout the governance structure, primarily by way of the Product Governance and Distribution Committee. Day-to-day responsibility for monitoring the fair treatment of customers and broader aspects of conduct risk resides with the International Compliance Department which undertakes scheduled reviews as part of a comprehensive Compliance Monitoring schedule.

5.5 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Company are:

- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the Company;
- brokers and coverholders - whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the Company;
- investments – whereby issuer default results in the Company losing all or part of the value of a financial instrument; and
- financial institutions holding cash.

The Company's core business is to accept insurance risk and the appetite for other risks is low. This protects the Company's solvency from erosion from non-insurance risks so that it can meet its insurance liabilities.

The Company limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the Company's credit control function frequently assesses the ageing and collectability of debtor balances. Any large aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

The Investment Committee has established comprehensive guidelines for the Company's Investment Managers regarding the type, duration and quality of investments acceptable to the Company to ensure credit risk relating to the investment portfolio is kept to a minimum. The performance of the Company's Investment Managers are regularly reviewed to confirm adherence to these guidelines.

The Company has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently. To assist in the understanding of credit risks, Moody's and Standard & Poor's ('S&P') ratings are used. The Company's concentrations of credit risk on investments have been categorised by these ratings in the following table.

Investment and cash - credit ratings 31 December 2020	**AAA $'000**	**AA $'000**	**A $'000**	**BBB $'000**	**BB $'000**	**Not Rated $'000**	**Total $'000**
Shares and variable yield securities	-	369	-	-	-	-	369
Debt security	8,551	77,531	104,150	21,105	498	-	211,835
Deposits with credit institutions	-	11,042	-	-	-	-	11,042
Total other financial investments	**8,551**	**88,942**	**104,150**	**21,105**	**498**	**-**	**223,246**
Cash at bank and in hand	138,794	-	-	-	-	-	138,794
Total	**147,345**	**88,942**	**104,150**	**21,105**	**498**	**-**	**362,040**

Investment and cash - credit ratings
31 December 2019

	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	Not Rated $'000	Total $'000
Shares and variable yield securities	-	20,724	-	-	-	-	20,724
Debt security	5,366	57,227	92,210	16,029	-	-	170,832
Deposits with credit institutions	-	28,314	-	-	-	-	28,314
Total other financial investments	**5,366**	**106,265**	**92,210**	**16,029**	**-**	**-**	**219,870**
Cash at bank and in hand	65,569	-	-	-	-	-	65,569
Total	**70,935**	**106,265**	**92,210**	**16,029**	**-**	**-**	**285,439**

The Company's largest investment counterparty exposure is $35.4m (2019 $34.9m).

An ageing analysis of the company's insurance and reinsurance receivables that are past due at the reporting date is presented below.

Financial assets - ageing 31 December 2020	Not yet due $'000	Up to 3 months past due $'000	3 to 6 months past due $'000	7 to 12 months past due $'000	>1 year past due $'000	Total $'000
Reinsurer share of claims outstanding	514,648	-	-	-	-	514,648
Insurance debtors	102,515	5,475	6,483	6,450	263	121,186
Reinsurance debtors	65,929	9,898	2,423	1,662	311	80,224
Other debtors	10,971	-	-	-	-	10,971
Total other financial investments	**694,063**	**15,373**	**8,907**	**8,112**	**574**	**727,029**

Financial assets - ageing 31 December 2019	Not yet due $'000	Up to 3 months past due $'000	3 to 6 months past due $'000	7 to 12 months past due $'000	>1 year past due $'000	Total $'000
Reinsurer share of claims outstanding	407,768	-	-	-	-	407,768
Insurance debtors	45,472	20,430	15,677	16,814	207	98,600
Reinsurance debtors	62,852	5,828	3,780	3,404	137	76,001
Other debtors	13,373	-	-	-	-	13,373
Total other financial investments	**529,465**	**26,258**	**19,457**	**20,218**	**344**	**595,742**

5.6 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Company is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of cases, these claims are settled from premiums received.

The Company's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of the Company's management of its exposure to loss scenarios are provided in Note 5.1.1 This means that the Company maintains sufficient liquid assets, or assets that can be readily converted into liquid assets at short notice, to meet expected cash flow requirements. The Company can also draw on Company funds to bridge short-term cash flow requirements.

The following table is an analysis of the net contractual cash flows based on all the liabilities held at 31 December 2020:

Financial liabilities - projected cash flows 31 December 2020	**Within 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Net claims outstanding	46,190	37,830	11,454	5,881	101,355
Creditors from direct insurance operations	22,240	-	-	-	22,240
Creditors from reinsurance operations	133,937	-	-	-	133,937
Other creditors	55,445	-	-	-	55,445
Total	**257,812**	**37,830**	**11,454**	**5,881**	**312,977**

Financial liabilities - projected cash flows 31 December 2019	**Within 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Net claims outstanding	22,859	20,680	7,504	3,356	54,399
Creditors from direct insurance operations	44,768	-	-	-	44,768
Creditors from reinsurance operations	112,116	-	-	-	112,116
Other creditors	35,244	-	-	-	35,244
Total	**214,987**	**20,680**	**7,504**	**3,356**	**246,527**

The next table summarises the carrying amount at the reporting date of financial instruments analysed by maturity date.

Investments and cash – maturity	**Within 1 yr**	**1-3 yrs**	**3-5 yrs**	**>5 yrs**	**Total**
31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities	369	-	-	-	369
Debt securities	14,276	39,035	34,803	123,721	211,835
Deposits with credit institutions	11,042	-	-	-	11,042
Total other financial investments	**25,687**	**39,035**	**34,803**	**123,721**	**223,246**
Cash at bank and in hand	138,794	-	-	-	138,794
Total	**164,481**	**39,035**	**34,803**	**123,721**	**362,040**

Investments and cash - maturity	**Within 1 yr**	**1-3 yrs**	**3-5 yrs**	**>5 yrs**	**Total**
31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities	20,724	-	-	-	20,724
Debt securities	501	33,696	41,847	94,787	170,832
Deposits with credit institutions	28,314	-	-	-	28,314
Total other financial investments	**49,539**	**33,696**	**41,847**	**94,787**	**219,870**
Cash at bank and in hand	65,569	-	-	-	65,569
Total	**115,108**	**33,696**	**41,847**	**94,787**	**285,439**

6. Fair value estimation

The following table presents the Company's financial investments measured at fair value at 31 December 2020 categorised into levels 1, 2 and 3. No liabilities were measured at fair value at 31 December 2020.

Financial investments – pricing basis **31 December 2020**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Shares and other variable yield securities	369	-	-	369

Financial investments – pricing basis **31 December 2019**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Shares and other variable yield securities	20,724	-	-	20,724

- Level 1 – Inputs are based on quoted prices in active markets for identical instruments;

Company's Level 1 investments consist of, money market funds and equity securities traded in an active exchange market. The Company uses unadjusted quoted prices for identical instruments to measure fair value.

- Level 2 – Inputs are based on observable market data (other than quoted prices) or are derived from or corroborated by observable market data;

The Company would measure fair value for its Level 2 investments using matrix pricing and observable market data, including benchmark securities or yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, default rates, loss severity and other economic measures. The Company would measure fair value for structured securities using observable market data in cash flow models.

The Company is responsible for the prices used in its fair value measurements. The Company would use independent pricing services to assist itself in determining fair value for its Level 2 investments. The pricing services would provide a single price or quote per security. The Company would also use data provided by the Company's third-party investment managers to value the other Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, the Company would perform various quantitative and qualitative procedures, including:

1) evaluation of the underlying methodologies;
2) analysis of recent sales activity;
3) analytical review of the Company's fair values against current market prices; and
4) comparison of the pricing services' fair value to other pricing services' fair value for the same investment.

- Level 3 – use of a valuation technique where there is no active market of other transactions which is a good estimate of fair value.

These comprise financial instruments where it is determined that there is no active market or that the application of criteria to demonstrate such are Level 2 securities is impractical. That fair value would be established through the use of a valuation technique which incorporates relevant information to reflect appropriate adjustments for credit and liquidity risks and maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement. The Company has no Level 3 securities.

7. Other financial investments

As of 31 December 2020, the book and actual values of other financial investments were as follows:

	2020 Book value	2019 Book value	2020 Market value	2019 Market value
	$'000	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts	369	20,724	369	20,724
Debt securities and other fixed-income transferable securities	211,835	170,831	224,790	174,968
Deposits with credit institutions	11,042	28,314	11,042	28,314
Total	**223,246**	**219,869**	**236,201**	**224,006**

The actual value of debt securities and other fixed income transferable securities generally represents their quoted market value. Where no such quoted market values exist, the actual values are based on other observable market data.

The amortisation of discounts and premiums on debt securities and other fixed income transferable securities is disclosed under "Income from other investments" and "Investment management charges, including interest", respectively, and is as follows:

	2020	2019
	$'000	$'000
Amortisation of discounts	127	87
Amortisation of premiums	(1,031)	(382)
	(904)	**(295)**

8. Provision for unearned premium

As of 31 December 2020, unearned premiums are detailed as follows:

	Unearned premium gross	Unearned premium reinsurer share	Unearned premium net
	$'000	$'000	$'000
At 1 January 2020	138,315	(88,681)	49,634
Change for the year	30,476	(12,912)	17,564
Foreign currency revaluation	9,457	(6,028)	3,429
At 31 December 2020	**178,248**	**(107,621)**	**70,627**

	Unearned premium gross	Unearned premium reinusrer share	Unearned premium net
	$'000	$'000	$'000
At 1 January 2019	-	-	-
Change for the year	136,821	(93,480)	43,341
Foreign currency revaluation	1,494	4,799	6,293
At 31 December 2019	**138,315**	**(88,681)**	**49,634**

9. Claims outstanding

As of 31 December 2020, provisions for claims outstanding are detailed as follows:

	Claims outstanding gross	Claims outstanding reinsurer share	Claims outstanding net
	$'000	$'000	$'000
At 1 January 2020	463,434	(407,768)	55,666
Change for the year	106,018	(64,666)	41,352
Foreign currency revaluation	48,556	(42,214)	6,342
At 31 December 2020	**618,008**	**(514,648)**	**103,360**

	Claims outstanding gross	Claims outstanding reinsurer share	Claims outstanding net
	$'000	$'000	$'000
At 1 January 2019	-	-	-
Change for the year	475,770	(418,320)	57,450
Foreign currency revaluation	(12,336)	10,552	(1,755)
At 31 December 2019	**463,434**	**(407,768)**	**55,666**

10. Subrogation and Salvages

As of 31 December 2020, subrogation and salvages are detailed as follows

	Subrogation and Salvages gross	Subrogation and Salvages reinsurer share	Subrogation and Salvages net
	$'000	$'000	$'000
At 1 January 2020	1,135	(132)	1,003
Change for the year	203	(125)	78
Foreign currency revaluation	(336)	226	(110)
At 31 December 2020	**1,002**	**(31)**	**971**

	Subrogation and Salvages gross	Subrogation and Salvages reinsurer share	Subrogation and Salvages net
	$'000	$'000	$'000
At 1 January 2019	-	-	-
Change for the year	1,143	(153)	990
Foreign currency revaluation	(8)	21	13
At 31 December 2019	**1,135**	**(132)**	**1,003**

The gross and reinsurers' share change in subrogation and salvages of $51.5m (2019 $13.7m) respectively, $(6.9)m (2019 $(7.8)m) disclosed under "Claims incurred, net of reinsurance" include the subrogation and salvages payments and recoveries of $51.7m respectively, $6.7m.

11. Debtors

As of 31 December 2020, debtors arising out of direct insurance operations of $121.2m (2019 $98.6m) are balances due and unbilled on inward direct insurance business placed mainly via brokers and intermediaries. Debtors arising out of reinsurance operations of $80.2m (2019 $76m) includes balances due and unbilled on inward reinsurance business of $32.9m (2019 $33.8m) and reinsurer share of paid losses of $47.3m (2019 $42.2m).

Other debtors of $11.0m (2019 $13.3m) includes other debtors amounting to $8.6m (2019 $4.8m), and $2.4m (2019 $8.5m) in relation to tax.

Debtors	**2020 Affiliate companies**	**2020 Other companies**	**2020 Total**
	$'000	**$'000**	**$'000**
Debtors arising out of direct insurance operations	-	121,186	121,186
Debtors arising out of reinsurance operations	30,570	49,654	80,224
Other debtors	-	10,971	10,971
Total	**30,570**	**181,811**	**212,381**

Debtors	**2019 Affiliate companies**	**2019 Other companies**	**2019 Total**
	$'000	**$'000**	**$'000**
Debtors arising out of direct insurance operations	-	98,600	98,600
Debtors arising out of reinsurance operations	35,413	40,588	76,001
Other debtors	4,810	8,563	13,373
Total	**40,223**	**147,751**	**187,974**

12. Other assets

As of 31 December 2020, the Company held cash of $139m (2019 $65.6m). Tangible assets of $2m (2019 $0.7m) is mainly represented by furniture and fixtures.

	Computer, equipment	**Fixtures, fittings and office equipment**	**Total**
	$'000	**$'000**	**$'000**
Gross book value			
At 1 January 2020	176.4	1,616.7	1,793.1
Additions	90.2	1,394.6	1,484.8
At 31 December 2020	**266.6**	**3,011.3**	**3,277.9**
Accumulated depreciation			
At 1 January 2020	(133.5)	(962.0)	(1,095.6)
Charge for the year	(25.3)	(142.9)	(168.2)
At 31 December 2020	**(158,9)**	**(1,104.9)**	**(1,263.8)**

Net book value			
31 December 2020	**107.7**	**1,906.4**	**2,014.1**
31 December 2019	**42.9**	**654.7**	**697.6**

Fixtures, fittings and office equipment are depreciated over their useful life.

13. Deferred acquisition costs
As of 31 December 2020, deferred acquisition costs are detailed as follows:

	Deferred acquisition costs gross	Deferred acquisition costs reinsurers' share(*)	Deferred acquisition costs Net
	$'000	**$'000**	**$'000**
At 1 January 2020	25,661	(39,007)	(13,346)
Change for the year	3,661	3,566	7,227
Foreign currency revaluation	1,594	(2,360)	(766)
At 31 December 2020	**30,916**	**(37,801)**	**(6,885)**

	Deferred acquisition costs gross	Deferred acquisition costs reinsurers' share(*)	Deferred acquisition costs Net
	$'000	**$'000**	**$'000**
At 1 January 2019	-		-
Change for the year	25,511	(38,933)	(13,422)
Foreign currency revaluation	150	(74)	76
At 31 December 2019	**25,661**	**(39,007)**	**(13,346)**

*Deferred acquisition costs reinsurer's share is reported within accruals and deferred income (Note 17)

14. Prepayment and accrued income
As at 31 December 2020, other prepayment and accrued income amount to $1.8m (2019 $1.8m).

15. Capital and reserves

The movements during the financial period in respect of capital and reserves may be broken down as follows:

Year ending 31 December 2020	Subscribed capital	Share premium	Other reserves	Legal reserve	2019 (loss)	2020 (loss)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2020	1,159	141,232	285	15	(4,164)	-	138,527
Allocation of profit	-	-	-	-	-	-	-
Additions during the year	-	20,000	-	-	-		20,000
Loss for the year	-	-	-	-	-	(3,940)	(3,940)
Total	**1,159**	**161,232**	**285**	**15**	**(4,164)**	**(3,940)**	**154,587**

Year ending 31 December 2019	Subscribed capital	Share premium	Other reserves	Legal reserve	2018 profit	2019 (loss)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2019	1,000	119,000	-	-	300	-	120,300
Allocation of profit	-	-	285	15	(300)	-	-
Additions during the year	159	22,232		-	-	-	22,391
Loss for the year	-	-	-	-	-	(4,164)	(4,164)
Total	**1,159**	**141,232**	**285**	**15**	**-**	**(4,164)**	**138,527**

At incorporation, on 8 February 2018, the share capital was 150,000 of fully paid up shares with a nominal value of $1.00.

On 10 April 2018, HCCII, the Company's sole shareholder resolved to increase the capital of the Company through the issue of 850,000 fully paid up shares of $1.00 with the and share premium of $99,000,000.

On 13 December 2018, HCCII, the Company's sole shareholder resolved to increase the capital of the Company by $20,000,000 through an increase to the Company's share premium.

On 1 January 2019, HCCII and TMKI transferred the existing insurance and reinsurance contracts that had historically been underwritten by HCCII and TMKI European branches and all branch employees to the Company under the Part VII Transfer process. The transfer was affected by the Company issuing one share to each of HCCII and TMKI. TMKI immediately transferred its one share to HCCII. At 1 January 2019, the Company had 1,000,002 shares in issue.

On 17 July 2019, as part of the merger of HCCG, 159,058 new shares with nominal value of $1 were issued for a total amount of $159,058 in consideration for the contribution in kind representing the assets and liabilities transferred from HCCG, together with a related premium for an amount of $2,232,000 disclosed under "Share premium".

On 12 December 2019 and on 22 December 2020, HCCII, the Company's sole shareholder resolved to increase the capital of the Company by $22,323,000 respectively, $20,000,000 through an increase to the Company's share premium.

As of 31 December 2020, the capital and reserves amounts to $154,586,000 and is represented by $1,159,060 share capital divided into 1,159,060 shares fully paid up with a nominal value of $1, by $161,232,000 share premium (including the related premium following the cross-border merger as indicated above), with an increase to the Company's share premium by $20,000,000, other reserves of $285,000, legal reserve of $15,000 and a loss for 2020 of $3,940,000 (2019 $(4,164,000)).

Legal reserve

Under Luxembourg company law, the Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed capital. The legal reserve may not be distributed to shareholders, except upon the dissolution of the Company.

Other reserves

As of 31 December 2020, the Company has allocated to the non-distributable reserves an amount corresponding to five times the amount of reduction of the Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was reduced.

16. Creditors

Creditors arising out of reinsurance operations of $133.9m (2019 $112.1m) comprises reinsurance premiums payable.

Other creditors of $55.5m (2019 $35.2m) is deposits on Surety business of $6.3m (2019 $23.9m) and mainly HCC international company creditors of $49.2m (2019 $9.3m).

Creditors	**2020 Affiliate companies**	**2020 Other companies**	**2020 Total**
	$'000	**$'000**	**$'000**
Creditors arising out of direct insurance operations	-	22,240	22,240
Creditors arising out of reinsurance operations	54,951	78,985	133,936
Other creditors	47,899	7,546	55,445
Total	**102,850**	**108,771**	**211,621**

Creditors	**2019 Affiliate companies**	**2019 Other companies**	**2019 Total**
	$'000	**$'000**	**$'000**
Creditors arising out of direct insurance operations	-	44,768	44,768
Creditors arising out of reinsurance operations	69,989	42,127	112,116
Other creditors	9,328	25,915	35,243
Total	**79,317**	**112,810**	**192,127**

As of 31 December 2020, creditors arising out of direct insurance operations of $22.2m (2019 $44.8m) is mainly represented by approved claims payments of $7.2m (2019 $23.1m) and profit commissions payable on inwards business of $9.6m (2019 $8.3m).

	2020	**2019**
	$'000	**$'000**
Approved claims payments	7,176	23,218
Profit commissions payable on inwards business	9,603	8,349
Amounts due under co-insurance arrangements	2,620	11,164
Other insurance payables	2,840	2,037
Creditors arising out of direct insurance operations	**22,240**	**44,768**

Creditors based on their duration are:

As at 31 December 2020	**Within 5 years**	**Total**
	$'000	**$'000**
Creditors arising out of direct insurance operations	22,240	22,240
Creditors arising out of reinsurance operations	133,936	133,936
Other creditors	55,445	55,445
Total	**211,621**	**211,621**

As at 31 December 2019	**Within 5 years**	**Total**
	$'000	**$'000**
Creditors arising out of direct insurance operations	44,768	44,768
Creditors arising out of reinsurance operations	112,116	112,116
Other creditors	35,243	35,243
Total	**192,127**	**192,127**

17. Accruals and deferred income

As of 31 December 2020, accruals and deferred income of $70.0m (2019 $66.9m) includes reinsurer's share of deferred acquisition costs of $37.8m (2019 $39.0m), in addition to accruals and deferred income of $32.2m (2019 $27.9m) comprising $18.7 (2019 $16.1m) of premium taxes and $13.5m (2019 $11.8m) of other accrued expenses.

18. Breakdown of gross premiums written

For the year ended 31 December 2020, non-life insurance gross premiums written can be split as follows:

	2020	**2019**
	$'000	**$'000**
Inward direct insurance	380,922	421,132
Inward reinsurance assumed	73,641	86,040
	454,563	**507,172**

	2020	**2019**
Direct insurance - Line of business	**$'000**	**$'000**
Specialty	213,250	218,166
London Market Marine and Property	34,372	17,517
European Property and Casualty	133,300	185,449
	380,922	**421,132**

19. Reinsurance balance

For the year ended 31 December 2020, the Outward reinsurance premiums is an expense of $305.8m (2019 $399.4m).

20. Geographic analysis of gross premiums written – Direct Insurance

For the year ended 31 December 2020, gross direct insurance premiums amounting to $380.9m (2019 $421.1m) may be broken down into geographic zones according to where the contracts have been concluded:

	2020	**2019**
	$'000	**$'000**
Grand Duchy of Luxembourg	1,586	751
Spain	99,162	135,209
France	82,154	116,732
United Kingdom	76,130	53,743
Germany	62,770	45,127
Ireland	8,159	23,069
Italy	22,364	16,720
Belgium	15,818	16,508
Netherlands	9,643	11,859
Denmark	3,136	1,413
	380,922	**421,132**

The principal technical result before allocation of investment return of the insurance business may be broken down between direct insurance and reinsurance acceptances as follows:

2020	**Direct insurance**	**Reinsurance acceptances**	**Total**
	$'000	**$'000**	**$'000**
Gross premiums written	380,922	73,641	454,563
Gross premiums earned	350,610	73,478	424,088
Gross claims	(185,374)	(75,532)	(260,906)
Gross acquisition costs	(61,538)	(11,473)	(73,011)
Gross operating expenses (net of technical income)	(51,212)	(10,733)	(61,945)
Reinsurance balance	(41,540)	13,139	(28,401)
Technical result	**10,946**	**(11,121)**	**(175)**

2019	**Direct insurance**	**Reinsurance Acceptances**	**Total**
	$'000	**$'000**	**$'000**
Gross premiums written	421,132	86,040	507,172
Gross premiums earned	300,226	70,125	370,351
Gross claims	(178,754)	4,169	(174,585)
Gross acquisition costs	(57,943)	(16,320)	(74,263)
Gross operating expenses (net of technical income)	(51,013)	(11,916)	(62,929)
Reinsurance balance	(54,209)	(4,220)	(58,429)
Technical result	**(41,693)**	**41,838**	**145**

21. Investment return - allocated from non-technical account

For the year ended 31 December 2020, the total net investment return of $5.0m (2019 $4.7m) was allocated from the non-technical account to the technical account.

22. Other technical income, net of reinsurance
For the year ended 31 December 2020, other technical income amounting to $0.7m (2019 $0.3m) is fee income.

23. Claims incurred, net of reinsurance
For the year ended 31 December 2020, claims incurred net of reinsurance was $84.0m (2019 $41.8m) and the amount relating to direct insurance amounted to $27.5m (2019 $49.5m).

24. Subrogation and Salvages
For the year ended 31 December 2020, the gross subrogation and salvages amount was $1m (2019 $1.1m), the ceded subrogation and salvage amounted to $(0,31)m (2019 $(0,13)m).

25. Acquisition costs
For the year ended 31 December 2020, total written commissions to intermediaries was $76.7m (2019 $99.8m) and the amount relating to written direct insurance amounted to $71.6m (2019 $82.0m) .

26. Administrative expenses
For the year ended 31 December 2020, administrative expenses of to $66.6m (2019 $63.3m) are staff salaries and other operating expenses.

27. Reinsurance commissions and profit participations
For the year ended 31 December 2020, reinsurance commissions and profit participation amounting to $91.6m (2019 $114.7m) is income received from reinsurers relating to their contribution to the commissions and operating expenses resulting from premiums ceded.

28. Other charges including value adjustments
For the year ended 31 December 2020, other charges including value adjustment of $1.9m (2019 $6.3m) comprises the impact of foreign exchange translation amounting to $0.2m (2019 $4.2m) and corporate oversight costs of $2.1m (2019 $2.1m.)

29. Taxation
For the year ended 31 December 2020, the tax charge amounted to $6.8m (2019 $2.7m).

30. Personnel employed during the year

	Year ending 31 December 2020	Year ending 31 December 2019
Average number of employees	292	230
Year end number of employees	**303**	**300**

	Year ending 31 December 2020	Year ending 31 December 2019
Managerial staff	2	2
Administrative staff	301	298
Total	**303**	**300**

Employee related costs are included in administrative expenses and are broken down as follows:

	Year ending 31 December 2020	Year ending 31 December 2019
	$'000	**$'000**
Wages and salaries	22,295	22,307
Social security costs	5,100	6,884
of which pensions	2,391	*1,508*
	27,395	**29,191**

31. Advances to supervisory staff
No advances were granted to members of the supervisory staff during 2020 (2019 – nil).

32. Remuneration granted to members of supervisory bodies and commitments entered into in respect of retirement pensions for former members of those bodies.
Emoluments granted in respect of the 2020 financial period to the members of the Board of Directors in fulfilment of their responsibilities amounted to $1,2m (2019 $1,1m).

33. Taxes
The Company is subject to the general tax regulations applicable to all companies in Luxembourg. The branches of the Company are subject to the tax regulation in the respective countries.

34. Fees to the auditor

The audit fees (excluding VAT) for the period ended 31 December 2020 amounted to $392.9k (2019 $463k).

	Note	2020	2019
		$'000	**$'000**
Audit fees	1	423	441
Audit related fees	2	-	22
Total		**423**	**463**

1. Audit fees represent fees for the audit of the annual accounts and related regulatory reports. The fees to the auditor are included in the administrative expenses in the profit and loss account.
   There were no audit related services performed in 2020

35. Subsequent events
The Directors confirm that there are no significant post balance sheet events to disclose.

36. Parent company and ultimate controlling party
Tokio Marine Europe S.A. is included in the consolidated financial statements of Tokio Marine Holdings Inc., its ultimate parent company, and also included in the consolidated financial statement of its sole parent company, HCC Insurance Holdings (International) Limited which is incorporated in England and has a head office in 1 Aldgate, London, EC3N 1RE. The registered office, where the consolidated financial statements are available is located at Tokio Marine Nichido Building Shinkan, 2-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005.

37. Off balance sheet commitments
At 31 December 2020, the Company has entered into a pledge agreement where assets amounting to $342k (2019 72k) were pledged in relation to rent obligations, also the company has the following future capital commitments, rent $4.4m and lease $0.4m.