



ASSURANT®

Financial Condition Report

London General Insurance Company Limited  
Switzerland Branch

Year ended 31 December 2018

# Financial Condition Report for LGI Switzerland

## For the year ended 31 December 2018



### Introduction

This 2018 Financial Condition Report (FCR) has been prepared for the Swiss branch of London General Insurance Company Limited (referred to in this document as "LGI Switzerland") in accordance with FINMA Circular 2016/2 "Disclosure - insurers".

The FCR contains the narrative disclosures necessary to comply with marginal notes 12 to 34 incl. of FINMA Circular 2016/2, in particular marginal note 17, which sets out those provisions which do not apply to insurers domiciled outside Switzerland.

### Further information

London General Insurance Company Limited ("LGI" or "the Company") is a UK incorporated non-life insurer and is regulated by the Prudential Regulations Authority and the Financial Conduct Authority in the UK. The Company's immediate parent is TWG Europe Limited, an insurance holding company incorporated in the UK and this is the level at which group supervision is applied under Solvency II.

This FCR is also included as an appendix to the single group Solvency and Financial Condition Report (SFCR) for TWG Europe Limited (TWGE). Due to differences in regulatory reporting deadlines, this FCR has been published before the corresponding group SFCR, which will be available from early June 2018 and provides further information on the Company and TWGE group.

### Approval of the Financial Condition Report

This FCR was reviewed by LGI's Audit, Risk & Compliance Committee and then approved by the Board.

A handwritten signature in blue ink, appearing to read 'N. Paddock', written over a horizontal line.

Natalie Paddock, Company Secretary

TWENTY Kingston Road, Staines-upon-Thames, Surrey, TW18 4LG

### General Representative's statement in respect of the FCR

In accordance with the meaning of FINMA Circular 2016/2 "Disclosure - insurers", marginal note 105 and in my capacity as General Representative for Switzerland I acknowledge my responsibility for preparing the FCR as at 31 December 2018 and sign off the FCR.

A handwritten signature in blue ink, appearing to read 'Lyne Bergeron', written over a horizontal line.

Lyne Bergeron, General Representative

Swiss Risk & Care S.A., Passage Saint-Antoine 7, 1800 Vevey, Suisse

# Financial Condition Report for LGI Switzerland For the year ended 31 December 2018



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# Financial Condition Report for LGI Switzerland

## For the year ended 31 December 2018



### Summary

This Financial Condition Report (FCR) is in respect of the London General Insurance Company Limited, à Staines-upon-Thames, succursale de Montreux (Suisse) - the Swiss branch of London General Insurance Company Limited ("LGI" or "the Company"). In this document the branch is referred to as "LGI Switzerland".

LGI Switzerland was established on 1<sup>st</sup> January 2006 as a branch of the Company and received approval to underwrite class B9 Other damage of property. The branch is not a separate regulated legal insurance company entity thus forms part of the Company, which retains full responsibility for all aspects of the branch. LGI Switzerland received authorisation by FINMA in 2011 to conduct insurance business in class B16 Pecuniary losses.

### Business Activities

There has been no material change in the Company strategy or of the activities of LGI Switzerland in the year.

During the year the Company's ultimate parent, The Warranty Group Inc., was acquired by Assurant, Inc. The acquisition has not had a material impact on the business activity of LGI Switzerland.

The Company has also been preparing through 2018 for the impact of Brexit on its EU business. TWGE Group Limited has established new insurers in the Netherlands to underwrite future EU business following the Brexit date. The business activity of LGI Switzerland has not been affected during the year.

Further detail is provided in section A.

### Performance

Performance for the year is in line with expectations. A significant proportion of LGI Switzerland's business is in run-off.

Net investment returns reflected the continued negative interest environment.

CHF '000	2018	2017
Gross written premiums	231	292
Net earned premiums	5,563	7,910
Underwriting result including changes in Security & Fluctuation Provision	1,023	1,382
Net investment return	(69)	144

Further detail is provided in section B.



# Financial Condition Report for LGI Switzerland

## For the year ended 31 December 2018



### A. Business Activities

#### Strategy, objectives and key business segments

At a high level, the strategic goal of Company is to drive profitable, sustainable growth to achieve company objectives.

Our corporate strategy includes growth through innovative product design, entry into new markets, and leveraging our global market intelligence. A conservative, disciplined underwriting approach and experienced management team are key elements that distinguish us in the marketplace.

Within that strategy the objective of LGI Switzerland is to provide a platform whereby Automotive and Appliance & Technology (A&T) warranty business may be underwritten in Switzerland including when such business arises as part of a client's global distribution strategy. Currently, two of the previously underwritten schemes are in run-off and there is only one source of live business.

LGI Switzerland is authorised and regulated by the Autorité Fédérale de Surveillance des Marchés Financiers (FINMA) in classes B9 (other damage to property/ autres dommages aux biens) and B16 (miscellaneous financial loss / pertes pécuniaires diverses) which are its two key segments.

Information by segment is provided in the "Performance Non-Life Solo" template included in Appendix 1 to this FCR.

#### Group structure, major shareholders and major branches

LGI Switzerland is a branch operation of LGI, with its branch office located at:

c/o Swiss Risk & Care S.A.  
Passage Saint-Antoine 7  
1800 Vevey  
Suisse

LGI is based in the United Kingdom and regulated by the Prudential Regulation Authority (PRA). LGI's immediate parent, and 100% shareholder, is TWG Europe Limited and its ultimate parent is Assurant, Inc.

#### External auditors

LGI Switzerland appointed PwC Switzerland for external audit purposes during the year (replacing Ernst & Young who were auditors in the previous year). PwC are also the Assurant group external auditor.

PricewaterhouseCoopers AG  
Mr Philip Kirkpatrick  
Birchstrasse 150 Postfach 8050 Zurich

# Financial Condition Report for LGI Switzerland

## For the year ended 31 December 2018



### Significant unusual events

#### *Acquisition by Assurant, Inc.*

On 31 May 2018, the Company's ultimate parent The Warranty Group Inc. was acquired by Assurant, Inc. Other than the change in ultimate parent there have been no other changes in the holding company structure relating to the Company or impacting LGI Switzerland. As a result of the acquisition the Company (and branch) external auditors were changed to PwC as the existing Assurant group external auditors.

#### *UK's Exit from the EU "Brexit".*

The Company's group prepared for Brexit through the establishment of a new non-life and a new life insurer in the Netherlands regulated by the DNB, through which all future EU (e.g. not UK or Swiss) business shall be written. There is no expected impact on the business currently underwritten through LGI Switzerland.

## B. Performance

### B.1 Underwriting performance

The overall underwriting result is summarised below:

Year ended 31 December 2018 CHF '000	Fire, natural hazards, property damage	Miscellaneous Financial Loss	Total
Gross written premiums	231	-	231
Net earned premiums	247	5,316	5,563
Net incurred claims	(240)	(4,163)	(4,403)
Acquisition costs and other expenses	(137)	-	(137)
<b>Underwriting result</b>	<b>(130)</b>	<b>1,153</b>	<b>1,023</b>

Year ended 31 December 2017 CHF '000	Fire, natural hazards, property damage	Miscellaneous Financial Loss	Total
Gross written premiums	290	2	292
Net earned premiums	377	7,533	7,910
Net incurred claims	(1,065)	(5,292)	(6,357)
Acquisition costs and other expenses	(170)	(1)	(171)
<b>Underwriting result</b>	<b>(858)</b>	<b>2,240</b>	<b>1,382</b>

The reduction in gross written premiums is mainly due to lower volume of new businesses written during the year.

The branch underwriting result was a profit of CHF1,023,000 (2017: CHF1,382,000), including changes in the Security & Fluctuation Provision. Motor warranty policies (under Miscellaneous Financial Loss) have entered the risk period after having previously expensed the acquisition

# Financial Condition Report for LGI Switzerland

## For the year ended 31 December 2018



costs incurred in securing new business which are not deferred according to Swiss accounting rules. The security and fluctuation provision has been calculated according to the branch's policy and the increase in the year is due to the improved underwriting performance.

### B.2 Investment income and expenses

LGI Switzerland is required to maintain Tied Assets in Switzerland to collateralise its liabilities from its Swiss insurance business. This is performed in accordance with Swiss insurance supervisory law, including FINMA Circular 2016/5 "Investment Guidelines - insurers".

Tied assets are held in Swiss government bonds and collective investment vehicles (investing in corporate bonds and not equities). Although the collective investment vehicles exceed the 5% threshold set by FINMA, the corporate bonds contained within the collective investment vehicle meet FINMA's specified requirements for liquidity, quality, transparency and reporting.

This is a conservative investment strategy which is in line with the wider Company investment approach and based on the security of the underlying assets.

The overall investment result is summarised below:

<b>Year ended 31 December 2018</b>	<b>Government</b>	<b>Collective</b>	
<b>CHF '000</b>	<b>Bonds</b>	<b>Investment</b>	<b>Total</b>
Investment income	197	92	289
Investment losses and expenses	(206)	(152)	(358)
<b>Net investment return</b>	<b>(9)</b>	<b>(60)</b>	<b>(69)</b>

<b>Year ended 31 December 2017</b>	<b>Government</b>	<b>Collective</b>	
<b>CHF '000</b>	<b>Bonds</b>	<b>Investment</b>	<b>Total</b>
Investment income	521	(13)	508
Investment losses and expenses	(314)	(50)	(364)
<b>Net investment return</b>	<b>207</b>	<b>(63)</b>	<b>144</b>

The investment environment remained difficult in the course of 2018. Investment losses in 2018 include realised loss on investments of CHF 152,000.

### B.3 Performance of other activities

There is no material information relating to performance of other activities in the year or previous year.

There is no income or expense recognised directly in equity.

### B.4 Other information

There is no other material information to report.

# Financial Condition Report for LGI Switzerland For the year ended 31 December 2018



## Appendix 1 - Performance Solo Non-Life Template



Financial situation report: quantitative template "Performance Solo  
NL"

Currency: CHF or annual report currency  
Amounts stated in millions

	G611QA																G653EA				G656EA	
	Direct Swiss business																					
	Total		Accident		Illness		Motor vehicle		Transport		Fire, natural hazards, property damage		General third-party liability		Other branches							
	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year						
1 Gross premiums	0.29	0.23	-	-	-	-	-	-	-	-	0.29	0.23	-	-	0.00	0.00						
2 Reinsurers' share of gross premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
3 Premiums for own account (1 + 2)	0.29	0.23	-	-	-	-	-	-	-	-	0.29	0.23	-	-	0.00	0.00						
4 Change in unearned premium reserves	7.62	5.33	-	-	-	-	-	-	-	-	0.09	0.02	-	-	7.53	5.32						
5 Reinsurers' share of change in unearned premium reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
6 Premiums earned for own account (3 + 4 + 5)	7.91	5.56	-	-	-	-	-	-	-	-	0.38	0.25	-	-	7.53	5.32						
7 Other income from insurance business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
8 Total income from underwriting business (6 + 7)	7.91	5.56	-	-	-	-	-	-	-	-	0.38	0.25	-	-	7.53	5.32						
9 Payments for insurance claims (gross)	4.99	3.47	-	-	-	-	-	-	-	-	0.13	0.06	-	-	4.86	3.41						
10 Reinsurers' share of payments for insurance claims	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
11 Change in technical provisions	1.37	0.93	-	-	-	-	-	-	-	-	0.94	0.18	-	-	0.43	0.76						
12 Reinsurers' share of change in technical provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
13 Change in technical provisions for unit-linked life insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
14 Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	6.36	4.40	-	-	-	-	-	-	-	-	1.06	0.24	-	-	5.29	4.16						
15 Acquisition and administration expenses	0.17	0.14	-	-	-	-	-	-	-	-	0.17	0.14	-	-	0.00	0.00						
16 Reinsurers' share of acquisition and administration expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
17 Acquisition and administration expenses for own account (15 + 16)	0.17	0.14	-	-	-	-	-	-	-	-	0.17	0.14	-	-	0.00	0.00						
18 Other underwriting expenses for own account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
19 Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	6.53	4.54	-	-	-	-	-	-	-	-	1.24	0.38	-	-	5.29	4.16						
20 Investment income	0.51	0.29	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
21 Investment expenses	0.36	0.36	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
22 Net investment income (20 + 21)	0.14	0.07	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
23 Capital and interest income from unit-linked life insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
24 Other financial income	0.06	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
25 Other financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
26 Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	1.46	0.95	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
27 Interest expenses for interest-bearing liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
28 Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
29 Other expenses	0.79	0.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
30 Extraordinary income/expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
31 Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	0.67	0.61	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
32 Direct taxes	0.01	0.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
33 Profit / loss (31 + 32)	0.66	0.52	-	-	-	-	-	-	-	-	-	-	-	-	-	-						



Financial situation report: quantitative template "Performanc  
NL"

	Direct non-Swiss business		Indirect business						Casualty		Property		Miscellaneous	
	Previous year	Reporting year	Personal accident	Health	Motor	Marine, aviation, transport	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1 Gross premiums														
2 Reinsurers' share of gross premiums														
3 Premiums for own account (1 + 2)														
4 Change in unearned premium reserves														
5 Reinsurers' share of change in unearned premium reserves														
6 Premiums earned for own account (3 + 4 + 5)														
7 Other income from insurance business														
8 <b>Total income from underwriting business (6 + 7)</b>														
9 Payments for insurance claims (gross)														
10 Reinsurers' share of payments for insurance claims														
11 Change in technical provisions														
12 Reinsurers' share of change in technical provisions														
13 Change in technical provisions for unit-linked life insurance														
14 <b>Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)</b>														
15 Acquisition and administration expenses														
16 Reinsurers' share of acquisition and administration expenses														
17 Acquisition and administration expenses for own account (15 + 16)														
18 Other underwriting expenses for own account														
19 <b>Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)</b>														
20 Investment income														
21 Investment expenses														
22 <b>Net investment income (20 + 21)</b>														
23 Capital and interest income from unit-linked life insurance														
24 Other financial income														
25 Other financial expenses														
26 <b>Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)</b>														
27 Interest expenses for interest-bearing liabilities														
28 Other income														
29 Other expenses														
30 Extraordinary income/expenses														
31 <b>Profit / loss before taxes (26 + 27 + 28 + 29 + 30)</b>														
32 Direct taxes														
33 <b>Profit / loss (31 + 32)</b>														

# Financial Condition Report for LGI Switzerland For the year ended 31 December 2018



## Appendix 2 - LGI Switzerland Management Report

# London General Insurance Company Limited - Switzerland Branch

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## MANAGEMENT REPORT

The report covers the activities of the Swiss branch of London General Insurance Company Limited (the "branch"). London General Insurance Company Limited (the "company") is registered in the United Kingdom with Registered Office at:

Twenty Kingston Road  
Staines upon Thames  
Surrey  
TW18 4LG  
United Kingdom

The management present their report and financial statements for the branch for the year ended 31 December 2018.

## RESULTS

For 2018, general business premiums written were CHF 230,895 (2017: CHF 292,280), with a pre taxation profit of CHF 610,854 (2017: CHF 670,724).

## PRINCIPAL ACTIVITIES

During 2016 the branch stopped underwriting motor vehicle extended warranty insurance but continued to write appliance and technology business in respect of personal electronic goods.

The company operates throughout Europe, through branch operations or through freedom of services arrangements. During 2018 the company operated through branch establishments in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Poland, Spain, and Switzerland.

## BUSINESS PERFORMANCE REVIEW

The branch's key financial performance indicators during the year were as follows:

	2018 CHF'000	2017 CHF'000	Change %
Gross premiums written	231	292	-21%
Earned premiums, net of reinsurance	5,563	7,910	-30%
Net Claims Incurred	3,380	4,975	-32%
Underwriting Result	2,046	2,763	-26%
Expenses	381	819	-53%
Investment income	123	221	-44%
<b>Balance sheet</b>			
Technical Reserves	6,332	10,732	-41%
Capital Account	8,147	7,629	+7%

The reduction in Gross Premium Written is mainly due to lower volume of new businesses written during the year.

The branch underwriting result was a profit of CHF 2,046,083 (2017: CHF 2,763,220) as the motor warranty policies have entered the risk period after having previously expensed the acquisition costs incurred in securing new business which are not deferred according to Swiss accounting rules. The security and fluctuation provision has been calculated according to the branch's policy and the increase in the year is due to the improved underwriting performance.

The decrease in the balance sheet technical provisions is due to the reduced volume of policies written in the year partially offset by an increase in the security and fluctuation reserve.

## ACCOUNTING POLICIES

- **Investments**  
Long Term Bonds are stated at amortised cost as required under Swiss accounting rules. Stocks and Shares are stated at market value.
- **Technical Reserves**  
Technical Reserves are stated in accordance with the company policy which has been supplied to FINMA.

## RISK ASSESSMENT

The TWG Europe's (the "group") Board Risk Committee was responsible for overseeing the effectiveness of the company's Risk Management framework throughout the year. The group's Risk Management framework is underpinned by risk policies and the process of review and validation through the group's second line of defence.

The group's Risk Management function is responsible for ensuring that the risks facing the business are properly identified, evaluated and controlled, and for the maintenance of the Risk Register and the events log, reporting any material changes and additions to the Board and Management Risk Committees. The Board's Risk Committee receives a quarterly risk update that identifies any changes to the company's risk profile, together with the mitigating controls and actions that have been taken. That Committee in turn reports to the Board. The company, including the branch manages its risks in accordance with its risk appetite.

The principal risks facing the company, including the branch are set out below:

- **Insurance Risk**

Insurance risk is split into two distinct sub risks:

- Underwriting risk - Loss or adverse change in the value of insurance liabilities, due to inadequate pricing - i.e. underwritten events do not occur/crystallise as assumed in pricing business, including binary events, inadvertent coverage of products not priced for; and,
- Reserving risk - Loss or adverse change in the value of insurance liabilities, due to inadequate provisioning assumptions - i.e. Reserves (Claims, including Incurred But Not Reported (IBNR)) are inadequate to meet future liabilities.

Insurance risk is the key risk in the company's strategy, seeking profit from the underwriting of risk. This is managed with a clear and focussed underwriting approach and risk appetite, with regular reviews of profile and performance. Reserving risk is governed by the Reserving Policy and overseen by the Actuarial department. Inherently with high frequency, low severity claims experience and minimal latent claims, reserving risk is relatively low for the group. The creditor book has a higher risk profile, but are smaller than the Auto and A&T lines of business.

TWG Europe and the entities within the group, do not hold or have exposure to any off-balance sheet items or utilise special purpose vehicles.

- **Credit Risk**

Credit risk is the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors. The group manages credit risk in three material sub-risks:

- Adverse impact to financial position due to reinsurance exposure;
- Financial exposure arising from client captive reinsurance arrangements; and,
- Failure of counterparty/inability to collect monies owed.

- **Liquidity Risk**

Liquidity risk is the risk that the group is unable to realise investments and other assets to settle financial obligations when they fall due. The group manages this risk on two levels, one, considers the day-to-day cash flow needs of the business, including the associated processes for cash flow management; secondly, in a crisis event, the liquidity of the investment portfolios.

- **Market Risk**

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. TWG Europe manages market risk with the following sub-risks: adverse foreign exchange movements; credit spreads widen; interest rate increase; failure of an investment counterparty; equity risk; and, securitised securities risk.

Market risk is managed by the limits and tolerances outlined in the Investment Management Agreement between the group and the Investment Manager. Adherence to the agreement and market risk sensitivities are monitored by the Investment Committee.

- **Strategic and Emerging Risks**

Strategic risks are categories as risks that may cause loss that may arise from the pursuit of an unsuccessful business plan or inability to meet the assumptions used in the plan.

Strategic risks managed by the group include risks related to the acquisition of new business and the retention and improvements sought in existing business.

The key emerging risk currently being managed and monitored closely by the group is BREXIT. Inherently this risk is significant to the group, as a European insurer which relies on passporting rights within the EU to conduct business. This risk is closely controlled with a dedicated BREXIT project team whose primary purpose is to ensure that the group can continue to conduct and service its core business in its current territories of operation.

- **Operational Risk**

Operational risk is associated with the internal or day-to-day operation of the organisation; it is the risk of loss arising from inadequate or failed internal processes, personnel, systems or from external events. Operational risk is typically not taken in exchange for an expected return; it inherently exists in the normal course of business activity.

At a high-level, operational risk can occur due to:

- An error by the person doing an activity;
- The system necessary to perform an activity is broken or not functioning;
- The process supporting an activity is flawed or inappropriately controlled; and
- An external event occurs that disrupts activity.

Conduct risk is the risk of loss arising from failure to conduct business in a manner to ensure the delivery of fair customer outcomes and ensure market integrity, including meeting the regulatory requirements relating to the documentation of such process. As conduct risk is at the core of the business of the group, it is deemed part of the operational risk framework and managed accordingly.

- **Risk Capital Management**

Risk Capital Management is managed within a framework, with clear risk appetite tolerances and triggers that consider the capital requirements of maintaining an AM Best A- rating; any ORSA capital requirements; and, the maintenance of Solvency II Own Funds in excess of capital requirements, with the addition of a suitable management buffer to ensure continuous solvency.

Capital management and it's associated framework is governed by the Capital Management Policy, which is approved by the Board. The Policy applies consistently across the group.

As at 31st December 2018, Capital was maintained above the required risk appetite levels for AM Best, ORSA and SCR capital requirements.

#### NUMBER OF FULL-TIME POSITIONS ON ANNUAL AVERAGE

The branch did not have any employees in 2018 or 2017.

#### RESEARCH AND DEVELOPMENT

The branch has not undertaken any research and development activities during the year.

#### EXTRAORDINARY EVENTS

There were no extraordinary events in 2018.

#### FUTURE DEVELOPMENTS

The company continues to evaluate its product mix and geographical footprint to ensure that it moves with both market trends and the changing European regulatory and compliance environment.



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***London General Insurance  
Company, à Staines-upon-  
Thames, succursale de  
Montreux (Suisse)***

***Montreux***

***Report of the independent  
auditor to the General  
Manager on the financial  
statements 2018***







# ***Report of the independent auditor to the General Manager of London General Insurance, à Staines-upon-Thames, succursale de Montreux (Suisse)***

## ***Report of the independent auditor on the financial statements***

As a federally-supervised audit firm, we have audited the accompanying financial statements of London General Insurance, à Staines-upon-Thames, succursale de Montreux (Suisse) (the "Branch"), which comprise the balance sheet, income statement and notes for the year ended 31 December 2018, in line with Article 28 para. 2 of the Insurance Supervision Act ('ISA') and with reference to the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)".

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

### ***General Manager's Responsibility for the Financial Statements***

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

### ***Auditor's responsibility***

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

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



reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements of the Branch for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

### **Other Matter**

The financial statements of the Branch for the year ended 2017 were audited by another audit firm whose report, dated 27 April 2018 expressed an unmodified opinion on those statements.

### **Basis of Accounting**

Without modifying our opinion, we note that the financial statements of the Branch are prepared on the basis of the accounting principles specified above. The financial statements are prepared to comply with the requirements of Article 25 para. 4 ISA. As a result, the financial statements may not be suitable for another purpose.

PricewaterhouseCoopers Ltd

Philip Kirkpatrick  
Audit expert  
Auditor in charge

  
Qualified signed by Joseph Levy  
April 17, 2019

Joseph Levy  
Audit Expert

Zurich, 17 April 2019

Enclosure:

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

## Financial Statement of London General Insurance Company Limited, succursale de Montreux

### Balance sheet as of December 31st, 2018

Assets			
CHF	Note	31.12.2018	31.12.2017
Investments		15,383,221	19,013,278
Fixed-interest securities	1a	8,888,711	13,459,447
Other investments	1b	6,494,510	5,553,831
Cash and cash equivalents		547,655	484,186
Insurance receivables	2	1,303	6,245
Other receivables		292,108	307,712
Prepaid expenses	3	94,522	224,102
<b>TOTAL ASSETS</b>		<b>16,318,810</b>	<b>20,035,524</b>

Liabilities and equity			
CHF	Note	31.12.2018	31.12.2017
Technical provisions	4	6,332,000	10,731,889
Insurance payables	5	10,081	41,404
Other liabilities	6	1,829,895	1,633,198
<b>TOTAL LIABILITIES</b>		<b>8,171,976</b>	<b>12,406,491</b>
Voluntary retained earnings		8,146,833	7,629,033
Head office account		9,049,537	9,047,015
Loss carried forward		(1,417,982)	(2,082,722)
Profit for the year		515,278	664,740
<b>Total equity</b>		<b>8,146,833</b>	<b>7,629,033</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,318,810</b>	<b>20,035,524</b>

# Financial Statement of London General Insurance Company Limited, succursale de Montreux

## Income statement for the year to 31st, December 2018

CHF	Note	2018	2017
Gross premium written		230,895	292,280
<b>Net premiums written</b>		<b>230,895</b>	<b>292,280</b>
Change in unearned premium reserves		5,331,881	7,617,443
<b>Net premiums earned</b>		<b>5,562,776</b>	<b>7,909,722</b>
Other insurance income		-	-
<b>Total technical income</b>		<b>5,562,776</b>	<b>7,909,722</b>
Gross claims and claim expenses paid		(3,470,857)	(4,988,517)
Change in technical provisions	7	(931,993)	(1,368,135)
<b>Net claims and claim expenses incurred</b>		<b>(4,402,850)</b>	<b>(6,356,652)</b>
Acquisition costs and administrative expenses		(136,885)	(171,460)
<b>Net acquisition costs and administrative expenses</b>		<b>(136,885)</b>	<b>(171,460)</b>
<b>Total technical expenses</b>		<b>(4,539,735)</b>	<b>(6,528,112)</b>
Income from investments	9	289,134	508,368
Expenses from investments	10	(357,637)	(363,877)
<b>Net (expense)/income from investments</b>		<b>(68,503)</b>	<b>144,491</b>
Other financial expenses		(4,383)	(62,637)
<b>Operating income</b>		<b>950,155</b>	<b>1,463,464</b>
Other expenses		(339,301)	(792,740)
<b>Profit before tax</b>		<b>610,854</b>	<b>670,724</b>
Income tax expense		(95,576)	(5,985)
<b>PROFIT</b>		<b>515,278</b>	<b>664,740</b>

## Financial Statement of London General Insurance Company Limited, succursale de Montreux

### Statement of changes in head office account as of December 31st, 2018

2018

CHF	Note	Head office account	Profit and loss account	Total
At 1 January 2018		9,047,015	(1,417,982)	7,629,033
Fund transfer from Head Office		2,522	-	2,522
Profit for the financial year		-	515,278	515,278
<b>At 31 December 2018</b>		<b>9,049,537</b>	<b>(902,704)</b>	<b>8,146,833</b>

CHF	Note	Head office account	Profit and loss account	Total
At 1 January 2017		5,387,229	(2,082,722)	3,304,507
Fund transfer from Head Office		3,659,786	-	3,659,786
Profit for the financial year		-	664,740	664,740
<b>At 31 December 2017</b>		<b>9,047,015</b>	<b>(1,417,982)</b>	<b>7,629,033</b>



# Financial Statement of London General Insurance Company Limited, succursale de Montreux

## Notes to the Financial Statements

### Financial reporting standards and activities

The report covers the activities of the Swiss branch of London General Insurance Company Limited ("the branch"). A company registered in the United Kingdom with Registered Office at:

Twenty Kingston Road  
Staines upon Thames  
Surrey  
TW18 4LG  
United Kingdom

The registered office of the branch is at:

c/o Swiss Risk & Care S.A.  
Passage Saint-Antoine 7  
1800 Vevey, Suisse

The management present the financial statements for the branch for the year ended 31 December 2018. During 2016 the branch stopped underwriting motor vehicle extended warranty insurance but continued to write appliance and technology business in respect of personal electronic goods.

The immediate parent undertaking of London General Insurance Company Limited is TWG Europe Limited, registered in England and Wales. The ultimate holding company is Assurant Inc., a publicly listed company on the New York Stock Exchange, registered in Delaware, United States of America. Copies of the consolidated financial statements of Assurant Inc. can be obtained from the Company Secretary, Europe, Assurant, Emerald Buildings, Westmere Drive, Crewe, Cheshire, CW1 6UN.

The annual financial statements have been prepared in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act (FINMASA), the Insurance Supervision Act (ISA), the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA) as well as with the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)". The ISO-FINMA contains specific guidance for presentation of the balance sheet, the income statement and the notes of insurance companies and overrides the general guidance of the Swiss Code of Obligations (SCO).

### Foreign Currency Translation

The annual financial statements are prepared in Swiss francs.

### Valuation principles

Uniform valuation principles were applied. Assets, equity and liabilities were valued individually.

#### Equity and liabilities:

Equity and liabilities are stated at their nominal value.

#### Investments:

Fixed-interest securities are valued using the linear cost amortization method.

Collective investments are valued at the lower of cost or market.

#### Technical provisions:

These are obligations due to insured parties determined based on an individual insurance agreement. They are calculated in accordance with methodologies notified to FINMA.

# Financial Statement of London General Insurance Company Limited, succursale de Montreux

## Notes to the Financial Statements

### 1a. Fixed-interest securities

CHF	31.12.2018	31.12.2017
Swiss Government bonds	8,888,711	13,459,447
<b>Total</b>	<b>8,888,711</b>	<b>13,459,447</b>

### 1b. Other investments

CHF	31.12.2018	31.12.2017
Ishares Core CHF Corporate bond - ISIN CH0226976816	6,494,510	5,553,831
<b>Total</b>	<b>6,494,510</b>	<b>5,553,831</b>

### 2. Insurance receivables

CHF	31.12.2018	31.12.2017
Receivables from agents and brokers	1,303	6,245
<b>Total</b>	<b>1,303</b>	<b>6,245</b>

### 3. Prepaid expenses

CHF	31.12.2018	31.12.2017
Accrued interest on investments	94,522	224,102
<b>Total</b>	<b>94,522</b>	<b>224,102</b>

### 4. Technical provisions

	Technical provisions (gross)	Reinsurers' share	Technical provisions written
Non-life			
CHF	31.12.2018	31.12.2018	31.12.2018
Unearned premium reserve	829,495	-	829,495
Loss reserves	556,254	-	556,254
Actuarial reserves	4,946,251	-	4,946,251
<b>Total</b>	<b>6,332,000</b>	<b>-</b>	<b>6,332,000</b>

	Technical provisions (gross)	Reinsurers' share	Technical provisions written
Non-life			
CHF	31.12.2017	31.12.2017	31.12.2017
Unearned premium reserve	6,161,376	-	6,161,376
Loss reserves	647,304	-	647,304
Actuarial reserves	3,923,209	-	3,923,209
<b>Total</b>	<b>10,731,889</b>	<b>-</b>	<b>10,731,889</b>

### 5. Insurance payables

CHF	31.12.2018	31.12.2017
Liabilities to policyholders	4,975	-
Liabilities to agents and brokers	5,106	41,404
<b>Total</b>	<b>10,081</b>	<b>41,404</b>

# Financial Statement of London General Insurance Company Limited, succursale de Montreux

## Notes to the Financial Statements

### 6. Other liabilities

	Third-party	Management bodies	Shareholdings	Total 31.12.2018
CHF				
Other liabilities	1,829,895	-	-	1,829,895
	<u>1,829,895</u>	<u>-</u>	<u>-</u>	<u>1,829,895</u>
	Third-party	Management bodies	Shareholdings	Total 31.12.2017
CHF				
Other liabilities	1,633,198	-	-	1,633,198
	<u>1,633,198</u>	<u>-</u>	<u>-</u>	<u>1,633,198</u>

### 7. Change in technical provisions

	Technical provisions (gross)	Reinsurers' share	Technical provisions written
Non-life			
CHF	2018	2018	2018
Change in loss reserves	(60,639)	-	(60,639)
Change in other technical provisions	(30,410)	-	(30,410)
Change in actuarial reserves	1,023,042	-	1,023,042
Total	<u>931,993</u>	<u>-</u>	<u>931,993</u>
	Technical provisions (gross)	Reinsurers' share	Technical provisions written
Non-life			
CHF	2017	2017	2017
Change in loss reserves	15,638	-	15,638
Change in other technical provisions	(29,113)	-	(29,113)
Change in actuarial reserves	1,381,610	-	1,381,610
Total	<u>1,368,135</u>	<u>-</u>	<u>1,368,135</u>

### 8. Audit fees

	2018	2017
CHF		
Audit services	53,575	29,600
Other services	-	-
Total	<u>53,575</u>	<u>29,600</u>

### 9. Income from investments

	Income *	Net unrealized gains	Net realized gains	Total
CHF	2018	2018	2018	2018
Fixed-interest securities	197,015	-	-	197,015
Others investments	92,119	-	-	92,119
Total	<u>289,134</u>	<u>-</u>	<u>-</u>	<u>289,134</u>
	Income *	Net unrealized gains	Net realized gains	Total
CHF	2017	2017	2017	2017
Fixed-interest securities	521,103	-	-	521,103
Others investments	(12,735)	-	-	(12,735)
Total	<u>508,368</u>	<u>-</u>	<u>-</u>	<u>508,368</u>

\* Income relates to dividends for shares (incl. from associates), interest coupons, interest on cash and cash equivalents and rental income.

# Financial Statement of London General Insurance Company Limited, succursale de Montreux

## Notes to the Financial Statements

### 10. Expenses from investments

		Net unrealized losses	Net realized losses		
CHF	Current expenses 2018	2018	2018	Total 2018	
	Fixed-interest securities	39,785	165,736	-	205,521
	Other investments	-	-	152,116	152,116
	<b>Total</b>	<b>39,785</b>	<b>165,736</b>	<b>152,116</b>	<b>357,637</b>

		Net unrealized losses		Net realized losses	
CHF	Current expenses				Total
	2017	2017	2017	2017	2017
	Fixed-interest securities	18,851	295,045	-	313,896
	Other investments	-	-	49,980	49,980
	<b>Total</b>	<b>18,851</b>	<b>295,045</b>	<b>49,980</b>	<b>363,877</b>

### 11. Total amount of assets pledged to secure own liabilities, as well as assets with retention of title

CHF	31.12.2018	31.12.2017
Book value of restricted assets :		
- Fixed-interest securities	15,383,222	19,013,278
- Cash	29,158	49,575
<b>Total</b>	<b>15,412,379</b>	<b>19,062,853</b>

### 12. Subsequent events

There have been no material events after the reporting date that would affect the interpretation of the financial statements or the performance of the branch.