TRAVELERS INSURANCE COMPANY LIMITED
Annual Report and Financial Statements
for the year ended 31 December 2022

Company registration number 1034343

CONTENTS

THE COMPANY

Directors	Date appointed	Date resigned
Sir John Carter (Independent Non-Executive)		31 March 2022
Anthony Coughlan (Independent Non-Executive Chair)		
Gary Dibb (Independent Non-Executive)		12 July 2022
Paul Eddy (Non-Executive)		16 February 2022
Mike Gent (Executive)		31 December 2022
Andrew McKee (Independent Non-Executive)	12 July 2022	
Maria Olivo (Non-Executive)		
Kevin Smith (Non-Executive)		31 March 2022
Gregory Somerville (Independent Non-Executive)	26 April 2022	
Matthew Wilson (Chief Executive Officer)		
Mary Woods (Non-Executive)	4 March 2022	

Company Secretary

John Abramson		30 September 2022
Esterina Fiore	25 October 2022	

Registered Office

One Creechurch Place,
Creechurch Lane,
London EC3A 5AF

Registered in England No 1034343

Bankers

Citibank NA
Barclays Bank Plc

Auditor

Mazars LLP

STRATEGIC REPORT OF THE DIRECTORS

The Directors of Travelers Insurance Company Limited (the "Company") present their strategic report for the year ended 31 December 2022.

Principal activity

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

Key Performance Indicators (KPIs)

The below table shows the most relevant KPIs the Directors use to manage the business. These KPIs are discussed further in the financial results section of the Strategic Report below.

	2022	2021
	£000	£000
Gross premiums written	502,748	446,866
Profit for the financial year	55,435	27,253
Loss ratio	55.5%	59.6%
Expense ratio	32.6%	33.3%
Combined ratio	88.1%	92.9%

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

Financial results

Travelers Insurance Company Limited reported a profit of £55.4m in 2022 (2021 profit of £27.3m) and a combined ratio of 88.1% (2021 92.9%). The Company benefited from favourable prior year reserve development in 2022 of £31.4m (2021 £22.6m). Excluding favourable prior year reserve development, the combined ratio was 95.8% (2021 99.1%).

The stronger performance in 2022 was driven by the 4.1pt improvement to the loss ratio. This was due to favourable prior year reserve development, which provided a year on year benefit of 7.7pts to the loss and combined ratios, netting against reserve actions taken to accommodate uncertainty within the current economic environment.

Gross premiums written increased by 12.5% to £502.7m (2021 £446.9m). There has been growth in all three business units, our UK and Ireland Commercial Lines book, our Specialty business and our Professional Lines book, driven in part by double digit rate increases. In particular our Professional Lines business has grown by 22.5 % during the year. This growth, and a continued focus on expense management, has led to a reduction in the expense ratio by 0.7pts to 32.6% (2021 33.3%). Net earned premiums grew 14.0% to £409.2m.

The investment return reported within profit on ordinary activities was a gain of £18.8m (2021 gain £1.8m). The Company invests in high quality corporate and government bonds with an average credit quality of AA. Investments under management at 31 December 2022 totalled £1.4bn (2021 £1.3bn). In 2022 there was volatility in investment markets as a result of ongoing supply chain disruption, geopolitical conflict and fiscal measures put in place due to high inflationary environments. This volatility underlines the importance of achieving underwriting profits to achieve target level of returns. The impact of these conditions resulted in an increase in the unrealised loss position by £107.4m (2021 £24.4m). It is anticipated the increase in interest rates by Central Banks will benefit the Company’s future investment returns. While the unrealised loss position is being monitored, at present no change to the Company’s investment strategy is deemed necessary.

Trading environment

Due to ongoing developments with respect to Covid-19, the geopolitical conflict between Russia and Ukraine and the high inflationary environment, there was uncertainty surrounding the trading environment entering into 2022. Within this uncertain trading environment, the Company maintained strong growth with 9.2% rate increases seen across all three of our business units. Concern remains with respect to inflation and the impact for loss costs entering into 2023.

Our focus during 2023 will be to continue to develop our specialist products and our customer service proposition to grow our book, whilst optimising the opportunity presented by current market conditions to deliver another year of strong underwriting profits.

Capital management

The Company’s financial strength remains strong with net assets improving during the year to £623.8m (2021 £562.9m). The increase was in large part driven by a capital injection by the shareholder of £86.0m. As of the date of this report, the Company's financial strength ratings are A++ (superior) from AM Best and AA from Standard and Poor’s.

During 2022 the Company did not pay a dividend (2021 £nil).

STRATEGIC REPORT OF THE DIRECTORS
(continued)

Subsidiary

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

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

Principal Risks and Uncertainties

The Board sets the risk appetite and reviews it on a formal basis annually as part of the business planning process. It reviews it on an ongoing basis as part of its regular business review processes. The Company has a Board Risk and Remuneration Committee and an Executive Risk Committee which meet regularly to review and update risks and issues arising from the risk register and to monitor performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Company are as set out below.

Insurance risk

Insurance risk relates to underwriting, claims management and the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

The Company manages insurance risk by setting an appetite annually through the business planning process, which sets down targets for underwriting volumes, pricing sufficiency and retentions by class of business. Management monitors performance against the business plan throughout the year. The Company uses catastrophe modelling software to model the maximum probable loss from catastrophe exposed business. Reserve adequacy is monitored through a quarterly internal actuarial review. The Underwriting Committee oversees underwriting risk and the Finance Committee oversees reserving risk.

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

Inflation risk

There was a high inflationary environment throughout 2022. The Company continually monitors and reviews the potential effect of inflation on the value of it's insurance liabilities and pricing of risks. The Company has considered the effects of inflation in pricing risks, including in 2022. The Company's insurance liabilities include the effects of inflation as well as other societal and economic factors, and inflation has not caused a material impact on its results to date. The Company has carefully considered the impact of the current inflationary environment on its business plan and has reviewed the inflation assumptions for all classes. The key assumptions impacting the loss ratios are the excess inflation, the proportion of the exposure inflation assumed to be captured within pricing, and how long the higher inflationary environment lasts.

Credit risk

The primary source for credit risk arises from the risk of default by one or more of the Company's reinsurers or investment counterparties. The Company operates a rigorous policy for the selection of reinsurers and managing the quantum of exposure ceded to an individual reinsurer. Exposures to individual counterparties are monitored against agreed limits and the overall investment portfolio has an average credit quality of AA. The Finance Committee oversees this risk type.

Market risk

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the Finance Committee.

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

In 2022 there was volatility in investment markets as a result of ongoing supply chain disruption, geopolitical conflict and fiscal measures put in place due to high inflationary environments. The impact of these conditions resulted in a decrease in the market value of the investment portfolio, while an increase in interest rates will benefit the Company's investment returns.

Operational risk

The primary source of operational risk is the failure of people, processes or systems. These risks are managed through well documented policies and procedures, sound internal control processes and business continuity management procedures. Operational risks are monitored by the Executive Risk Committee.

STRATEGIC REPORT OF THE DIRECTORS
(continued)

Principal Risks and Uncertainties *(continued)*

Regulatory risk

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

Conduct risk

Conduct risk is the risk that the Company (or its agents) fails to pay due regard to the interests of its customers or fails to treat them fairly at all times. Conduct risk exposures are monitored through the Executive Risk Committee.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet operational cash flow requirements. Liquidity risk is monitored through the Finance Committee.

Energy and consumption

For the year ended 31 December 2022 the Company used the following quantity of emissions of carbon dioxide equivalent and consumed the following amount of energy in the United Kingdom:

	2022		2021	
	Carbon dioxide emissions (Tonnes)	Energy Consumed (KWHs)	Carbon dioxide emissions (Tonnes)	Energy Consumed (KWHs)
Combustion of gas	1.1	-	0	0
Consumption of fuel	25.15	102,200	10.02	40,757
Purchase of electricity	92.24	475,278	109.07	512,389
Total	118.54	577,478	119.09	553,146

Electricity energy savings in the year were predominantly due to energy saving measures applied in the operation of the UK data centre. These savings were largely offset by an increase in the consumption of fuel in comparison to 2021 due to a return to business related travel in 2022 following the removal of travel restrictions relating to COVID-19.

The carbon dioxide emissions and energy consumption from the activities of the Company were calculated based on the Greenhouse Gas ("GHG") Protocol. The conversion factors used are those from the UK government for 2022.

The 2022 and 2021 intensity ratios, calculated based on gross premiums written, are 2.36 tonnes CO_2e (2021 2.67 tonnes) for every £10m of gross premiums written.

Section 172 statement

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

Consequences of any decision in the long term

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

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

STRATEGIC REPORT OF THE DIRECTORS
(continued)

Interests of the Company employees

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

Interests of the Company's customers, suppliers and others

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

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

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

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

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

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

Maintaining a reputation for high standards of business conduct

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

Need to act fairly as between shareholders

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

On behalf of the Board

Matthew Wilson
Chief Executive Officer
Travelers Insurance Company Limited
3 April 2023

DIRECTORS' REPORT

The Directors present their annual report together with the financial statements for the 12 months ended 31 December 2022.

Principal activity

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

Business Review

An analysis of the performance and future developments of the Company is contained within the Strategic Report and the results for the financial year are set out on pages 11 and 12.

Directors and directors' interests

All the directors set out on page 3 served throughout the year and up to the approval of these accounts with the exception of Paul Eddy who resigned on 16 February 2022, Kevin Smith and Sir John Carter who resigned on 31 March 2022,Gary Dibb who resigned on 12 July 2022, Mike Gent who resigned on 31 December 2022, Mary Woods who was appointed on 4 March 2022, Gregory Somerville who was appointed on 26 April 2022 and Andrew McKee who was appointed on 22 July 2022.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Audit Committee

The Board has an established Audit Committee (the "Committee"). The Committee meets at least three times a year. The Committee comprises the independent non-executive directors. Mr. Coughlan was Chair of the Audit Committee during the year. The Committee's terms of reference require it to take an independent view of the Company's external financial reporting, accounting policies and practices. It considers the appointment and fees, both audit and non-audit, of the external auditors. The Committee also reviews the annual plans of both the external and internal auditors and reviews reports received from both in respect of their findings. The Chief Financial Officer, Head of Internal Audit and the Company Secretary attend the Committee meetings. At least once a year the Committee meets, both on its own and with the external auditors, without executive management being present.

Going Concern

The Directors have assessed the suitability of using the Going Concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Company does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the latest three year business plan and the likely trading environment. The Directors concluded that it remained appropriate to continue to prepare the Company's financial statements using the Going Concern assumption.

Indemnity insurance

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and as at the date of this report.

Supplier payment policies

All third party supplier invoices are settled on the Company's behalf by Travelers Management Limited, an affiliate of the Company. The average payment terms are disclosed in that Company's accounts. The Company also has a management agreement with Travelers Management Limited, who employs the Company's personnel. The employment policies are disclosed in that Company's accounts.

DIRECTORS' REPORT
(continued)

Investment risk management

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the Finance Committee.

Key risks facing the business

A discussion of the key risks facing the business and how they are mitigated is set out on pages 4 to 5 of the Strategic Report of the Directors and in note 4 to the financial statements on pages 23 to 28.

Climate reporting

The Company follows The Travelers Companies, Inc. in its approach to climate-related risks and opportunities. The approach is multi-faceted and allows the Company to mitigate exposure to climate-related risks and provide products and services that both help customers mitigate those risks and support the transition to a low carbon economy. In the latter regard, the Company provides insurance coverage to the Renewable Energy sector.

As part of its regular risk management activities, the Company's Board of Directors and its Risk and Remuneration Committee consider changing climate conditions, including changes in frequency and severity of catastrophe losses and uncertainty surrounding weather volatility and climate-related risk, and the impact on investment valuations that may occur as part of the transition to a low carbon economy.

The Company's underwriting risk appetite is dependent on the ability to understand the property and casualty risks that it underwrites. Understanding the climate-related impacts on insured perils is part of this fundamental risk evaluation process. Core to this strategy is the incorporation of climate variability into underwriting and pricing decisions. The Company is also committed to supporting our clients with meaningful risk management and insurance capacity to help them transition to a low carbon future.

Market Risk is managed by employing a thoughtful and responsible investment philosophy that focuses on appropriate risk-adjusted returns. The investment strategy, approved by our Board of Directors, reflects a long-term approach to sustainable value creation and requires that Travelers consider environmental, social and governance (ESG) factors in the investment process to the extent relevant.

As part of the Company's annual Own Risk and Solvency Assessment ('ORSA') process, two stress scenarios relating to changing climate conditions were considered and applied to our current balance sheet. Keeping the significant uncertainties associated with climate stress testing in mind, these scenarios took into consideration the insurance and market risks noted above, and in both scenarios the potential impacts on the Company's modelled capital position were modest.

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

Political contributions

Political contributions were £nil during 2022 (2021 £nil).

Dividends

During 2022 the Company did not pay a dividend (2021 £nil).

Auditors

Pursuant to section 487 of the Companies Act 2006, Mazars will be deemed to have been reappointed and will therefore continue in office in 2023.

DIRECTORS' REPORT
(continued)

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 102 ("FRS 102"), The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 - "Insurance contracts" ("FRS 103").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Esterina Fiore
Company Secretary

3 April 2023

One Creechurch Place,
Creechurch Lane,
London EC3A 5AF

PROFIT AND LOSS ACCOUNT : TECHNICAL ACCOUNT - GENERAL BUSINESS
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Gross premiums written	6	502,748	446,866
Outward reinsurance premiums		(71,085)	(58,282)
Net premiums written		431,663	388,584
Change in the gross provision for unearned premiums	22	(27,838)	(32,532)
Change in the provision for unearned premiums, reinsurers' share	22	5,352	2,964
Earned premiums, net of reinsurance		409,177	359,016
Allocated investment return transferred from the non-technical account		18,843	1,813
Claims paid:			
Gross amount		(176,268)	(117,744)
Reinsurers' share		42,948	5,005
Net claims paid		(133,320)	(112,739)
Change in the provision for claims:			
Gross amount	22	(111,731)	(88,319)
Reinsurers' share	22	17,959	(12,803)
Change in the net provision for claims		(93,772)	(101,122)
Claims incurred, net of reinsurance		(227,092)	(213,861)
Net operating expenses	9	(133,413)	(119,421)
BALANCE ON THE TECHNICAL ACCOUNT		67,515	27,547

The notes on pages 17 to 40 form part of these financial statements.

PROFIT AND LOSS ACCOUNT : NON-TECHNICAL ACCOUNT
for the year ended 31 December 2022

	Note		2022 £000		2021 £000
Balance on the general business technical account			67,515		27,547
Investment income	8	27,560		23,981	
Investment expenses and charges	10	(8,717)		(22,168)	
Net investment return		18,843		1,813	
Allocated investment return transferred to the general technical account		(18,843)		(1,813)	
Other income/(expenses)	11		563		298
Profit on ordinary activities before tax	5/12		68,078		27,845
Tax charge on profit on ordinary activities	14		(12,643)		(592)
PROFIT FOR THE FINANCIAL YEAR			55,435		27,253

The profit/(loss) for the financial year arising from run-off operations is a loss of £2.7 m (2021 profit of £4.4 m). Further detail is provided in Note 5 to the accounts.

The notes on pages 17 to 40 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Profit for the financial year		55,435	27,253
Unrealised losses on investments	16	(107,610)	(24,379)
Tax credit on unrealised losses on investments	14	27,062	6,140
TOTAL COMPREHENSIVE INCOME		(25,113)	9,014

The notes on pages 17 to 40 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

		Share capital £000	Share premium £000	Profit and loss account £000	Fair value reserve £000	Total equity £000
At 1 January 2021	*Note*	267,055	699	253,391	(6,243)	514,902
Loss for the financial year		-	-	27,253	-	27,253
Other gains recognised in Other Comprehensive Income						
Unrealised gains on investments, net of tax		-	-	-	(18,239)	(18,239)
Increase in share capital		39,000	-	-	-	39,000
Balance at 31 December 2021		306,055	699	280,644	(24,482)	562,916
Profit for the financial year		-	-	55,435	-	55,435
Other gains recognised in Other Comprehensive Income						
Unrealised losses on investments, net of tax		-	-	-	(80,548)	(80,548)
Increase in share capital	21	86,000	-	-	-	86,000
Balance at 31 December 2022		392,055	699	336,079	(105,030)	623,803

The profit and loss account includes £5.2m (2021 £16.6m) of net realised losses, net of tax, which have been transferred from the fair value reserve, of this £4.4m losses (2021 £16.4 m losses) relate to amounts brought forward from 31 December 2021.

The notes on pages 17 to 40 form part of these financial statements.

BALANCE SHEET
as at 31 December 2022

	Note	2022	2021
ASSETS		£000	£000
Investments			
Investment in group undertaking	15	114,628	84,272
Other financial investments	16	1,439,235	1,294,369
		1,553,863	1,378,641
Reinsurers' share of technical provisions			
Provision for unearned premiums	22	31,019	24,462
Claims outstanding	22	121,096	99,388
		152,115	123,850
Debtors			
Debtors arising out of insurance operations	17	108,949	97,204
Debtors arising out of reinsurance operations	18	2,031	2,685
Other debtors	19	10,813	6,914
		121,793	106,803
Other assets			
Deferred tax asset	20	55,472	29,435
Cash at bank		45,875	67,438
		101,347	96,873
Prepayments and accrued income			
Accrued interest		13,955	9,424
Deferred acquisition costs	22	32,770	26,187
		46,725	35,611
TOTAL ASSETS		1,975,843	1,741,778

The notes on pages 17 to 40 form part of these financial statements.

BALANCE SHEET (continued)
as at 31 December 2022

	Note	2022 £000	2021 £000
LIABILITIES			
Capital and reserves			
Called up share capital	21	392,055	306,055
Share premium account		699	699
Profit and loss account		336,079	280,644
Fair value reserve		(105,030)	(24,482)
Shareholders' funds attributable to equity interests		623,803	562,916
Technical provisions			
Provision for unearned premiums	22	265,679	233,508
Claims outstanding	22	1,024,544	901,846
		1,290,223	1,135,354
Creditors			
Creditors arising out of insurance operations	24	5,364	3,031
Creditors arising out of reinsurance operations		22,250	16,208
Other creditors including taxation and social security	25	29,230	19,719
		56,844	38,958
Accruals and deferred income	26	4,973	4,550
TOTAL LIABILITIES		1,975,843	1,741,778

These financial statements were approved by the Board of Directors on 3 April 2023 and were signed on its behalf by:

Matthew Wilson
Chief Executive Officer
3 April 2023

Travelers Insurance Company Limited
Registered in England No 1034343

The notes on pages 17 to 40 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

Travelers Insurance Company Limited ("the Company") is a limited liability company incorporated in England. Its registered office is at One Creechurch Place, Creechurch Lane, London EC3A 5AF. The financial statements of the Company have been prepared in accordance with the provisions of section 396 of the Companies Act 2006, including applying the requirements set out in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies. The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 - "Insurance contracts" ("FRS 103").

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets that are measured at fair value.

The financial statements of the Company were approved for issue by the Board of Directors on 3 April 2023. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements have been presented in Sterling, rounded to the nearest thousand pounds.

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

The Company's ultimate parent undertaking, The Travelers Companies, Inc. ("TRV"), includes the Company in its consolidated financial statements. The consolidated financial statements of TRV are prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), as promulgated by the Financial Accounting Standards Board (FASB), subject to the accounting-related rules and interpretations of the Securities and Exchange Commission ("SEC"). The TRV consolidated financial statements are available to the public and may be obtained from this Company's registered address.

The Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes; and
- Key management personnel compensation.

The Directors have assessed the suitability of using the Going Concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Company does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the latest three year business plan and the likely trading environment. The Directors concluded that it remained appropriate to continue to prepare the Company’s financial statements using the Going Concern assumption.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the financial statements *(continued)*

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The most critical individual components of these financial statements that involve the highest degree of judgement, or most significant assumptions and estimations, are set out in note 3 below.

Basis of accounting for underwriting activities
All classes of business are accounted for on an annual basis.

Gross premiums written
Under the annual basis of accounting, premiums written, gross of commission payable to intermediaries, comprise the direct and inward reinsurance premiums on contracts entered into during a financial year, regardless of whether such amounts may relate in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include estimates for pipeline premiums (premiums written but not reported to the business by the balance sheet date) and adjustments to premiums written in prior accounting periods.

Unearned premiums
Premiums written are recognised as earned according to the risk profile of the underlying policy. Unearned premiums represent the proportion of premiums written that relate to the unexpired terms of policies in force at the balance sheet date, calculated on time apportionment, or are earned on the basis of established earnings patterns. The reinsurers' share of unearned premiums is calculated with reference to the risk profile of the underlying reinsurance contract.

Acquisition costs
Acquisition costs comprise the commission expenses of acquiring both the direct insurance and inward reinsurance policies written during the financial year. Acquisition costs are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date.

Classification of insurance contracts
An insurance contract is one under which the Company has accepted significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. These contracts remain in force until all rights and obligations are extinguished or expire.

Claims incurred
Claims incurred include all claims and claim settlement expense payments made in respect of the financial year, and the movement in the provision for outstanding claims and settlement expenses, including the claims incurred but not reported provision, during the year.

Claims outstanding
The provision for undiscounted outstanding claims represents the Company’s estimate of the ultimate cost of settling claims that have occurred by the balance sheet date but not yet been finally settled, net of salvage and subrogation.

In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised to the Company as at the balance sheet date, there is also the considerable uncertainty regarding the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled. As a consequence of these uncertainties, the Company has to apply sophisticated estimation techniques to determine the appropriate level of claims provisions.

In overview, claims provisions are determined based upon prior claims experience, knowledge of market conditions and trends, and the terms and conditions of the underlying policies of insurance.

A variety of different statistical techniques are used by the Company’s in-house actuaries to determine the appropriate level of claims provision to carry. These methods include the following:

- Chain ladder development of paid and incurred claims, where claims to date for each accident year are extrapolated based upon the historical development patterns of earlier years;
- Estimates based upon the projection of claims' numbers and average costs;
- Expected loss ratios; and
- Bornhuetter Ferguson method, which combines use of Expected loss ratios, for the more recent and underdeveloped accident years, and the Chain ladder projection of incurred claims data for earlier years.

Notes to the financial statements (continued)

2 Significant accounting policies
(continued)

Claims outstanding *(continued)*
All projections are carried out separately for each product, line of business and separately on a gross and ceded basis.

Large claims are identified and reserved for separately.

Where possible, the Company adopts multiple techniques to estimate the required level of claims provision. This assists in giving a greater understanding of the trends inherent in the data being projected and setting the range of possible outcomes. The most appropriate estimation technique is then selected taking into account the characteristics of the business class under consideration.

In arriving at the level of claims provisions, a margin is carried over and above the actuarial best estimate so that no adverse run off deviation is envisaged.

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

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

Unexpired risks
At each reporting date a liability adequacy test is performed, and if required, a provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums provision in relation to such policies, after deduction of any acquisition costs deferred. Provision for unexpired risks is calculated after taking into account relevant investment income. Unexpired risk surpluses and deficits are aggregated where the business classes are managed together.

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

Financial assets and liabilities
In applying FRS 102, the Company has chosen to apply the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted for use in the UK), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B.

Classification
The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the statement of profit and loss or statement of comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Debt and other fixed-income securities are designated as available-for-sale and initially recognised at fair value plus any directly attributable transaction costs. After initial measurement these assets are subsequently measured at fair value.

Interest earned whilst holding available-for-sale financial assets is reported as interest income and presented in the profit and loss account. Fair value changes, including foreign exchange gains or losses on fair value changes, are recognised in the statement of comprehensive income and accumulated in the fair value reserve.

Notes to the financial statements (continued)

2 Significant accounting policies
(continued)

Financial assets and liabilities *(continued)*

Classification (continued)
If an available-for-sale investment is sold or impaired, the cumulative gain or loss accumulated in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the loss accumulated in the fair value reserve to profit or loss. The cumulative loss that is reclassified from the statement of comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss, otherwise it is reversed through the statement of comprehensive income.

Deposits with credit institutions, debtors and accrued interest are classified as loans and receivables.

There are currently no deposits with credit institutions.

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

Identification and measurement of impairment
The Company conducts a periodic review to identify invested assets that are impaired. Some of the factors considered in identifying other than temporary impairments include:

- whether the Company intends to sell the investment or whether it is more likely than not that the Company will be required to sell the investment prior to an anticipated recovery in value;
- the likelihood of recovery in full of the principal and interest (i.e., whether there is a credit loss);
- the financial condition, near-term and long-term prospects for the issuer including the relevant industry conditions and trends, and rating agency actions and offering prices.

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

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

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

Offsetting
Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debtors and creditors arising out of direct and reinsurance operations
Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

Notes to the financial statements (continued)

2 Significant accounting policies
(continued)

Financial assets and liabilities *(continued)*

Other debtors and creditors
Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

Investment return
Interest income is recognised on an accruals basis in the profit and loss account. Realised gains or losses represent the difference between net sales proceeds and purchase price.

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

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses during the year comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period. Movements in unrealised investment gains and losses are reported in the Statement of Comprehensive Income.

Functional currency
The functional currency of the Company is Sterling.

Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary balance sheet items at the year end exchange rates are recognised in the non-technical account. All assets and liabilities relating to insurance contracts (including unearned premiums and deferred acquisition costs) are monetary items and are therefore retranslated at the year end exchange rates.

Deferred tax
Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or that future taxable profits will be available against which the temporary differences can be utilised.

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

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

Notes to the financial statements (continued)

3 Use of critical judgements, assumptions and estimates

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgement in the process of applying the Company's accounting policies. The Directors consider the areas where estimates are significant to the Company's result and financial position are the valuation of insurance liabilities and the valuation of the deferred tax asset.

Incurred but not reported claims

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

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

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

A component of these estimation techniques is the estimation of the cost of notified but not paid claims. In estimating the cost of these claims, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims affecting each relevant business class are generally assessed separately, either measured on a case by case basis or projected separately, in order to allow for the possible distorting effect of the development and incidence of these large claims. Where possible, multiple techniques are adopted in order to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements in the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability. An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.

The gross IBNR held at 31 December 2022 was £668.4m (2021 £573.8m). This is disclosed in note 22 to these accounts.

A sensitivity of the results and shareholders funds to a 5% increase or decrease in net loss ratio is disclosed on page 24 of these accounts.

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

Deferred tax asset

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

The deferred tax asset in respect of tax losses carried forward was £21.2m at 31 December 2022 (2021 £22.3m).

Notes to the financial statements (continued)

4 Risk and capital management

This section identifies the key risks faced by the Company and the steps taken to manage those risks. The Company's appetite for accepting and managing the varying classes of risk it faces is defined by the Company's Board of Directors. The Board of Directors has established a comprehensive risk management framework that includes a full range of risk policies and risk procedures which include risk identification, risk measurement, risk mitigation, risk reporting and stress and scenario tests to ensure that the risk exposures faced by the Company are appropriately managed.

The principal sources of financial risk faced by the Company can be classified in the following categories:

- Insurance;
- Inflation;
- Credit;
- Market;
- Liquidity; and
- Capital management.

Insurance risk

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

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

On a monthly basis performance reviews are conducted to monitor premium production, business mix, rating adequacy and claims activity relative to targets set out in the Company's annual business plan. On an quarterly basis each portfolio is subjected to a detailed review to identify actions to be taken to improve performance where necessary and opportunities to further develop the portfolio.

The Finance Committee oversees the management of reserving risk. The Company's in house actuaries perform a reserving analysis on a quarterly basis, liaising closely with underwriters and claims handlers. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development patterns are all instrumental in mitigating reserving risk. The aim of the quarterly reserving analysis is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections.

The Finance Committee performs a comprehensive review of the projections, both gross and net of reinsurance, and following this review makes recommendations to the Company's Board of Directors of the appropriate claims provisions to be established. In arriving at the level of claims provisions carried, a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Notes to the financial statements (continued)

4 Risk and capital management
(continued)

Concentration of insurance risk
The following table provides an analysis of the geographical breakdown of the Company's premiums written by class of business based on the location of the underlying risk:

	UK	EEA	USA	Other	Total
2022	£000	£000	£000	£000	£000
Credit and Suretyship	4,438	2,879	483	1,103	8,903
Fire and other damage to property	132,936	13,957	25,449	2,223	174,565
Marine and aviation	19,513	2,928	1,234	3,417	27,092
Motor	11,908	5,379	126	-	17,413
Third party liability	227,441	44,540	1,430	928	274,339
Miscellaneous	263	123	-	50	436
Total	396,499	69,806	28,722	7,721	502,748

	UK	EEA	USA	Other	Total
2021 restated	£000	£000	£000	£000	£000
Credit and Suretyship	2,683	1,205	44	821	4,753
Fire and other damage to property	125,479	14,535	21,724	5,796	167,534
Marine and aviation	14,160	3,474	1,106	2,728	21,468
Motor	12,697	5,923	85	-	18,705
Third party liability	184,567	45,396	1,395	813	232,171
Miscellaneous	2,235	-	-	-	2,235
Total	341,821	70,533	24,354	10,158	446,866

GWP of £52.7m relating to 2021 has been reallocated in the above table between the UK, EEA, USA and Other to correctly reflect their location of risk following the identification of misallocation in the prior year financial statements.

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

Loss ratio sensitivity
The following tables show the impact on the Company's post tax result and financial position were the loss ratio (claims incurred over earned premium) to increase by 5%. This is on the basis that an increase in gross claims incurred would have a similar impact on the reinsurance recovery and the claims handling costs:

	2022	2021
Gross	£000	£000
Total decrease in result after tax and net assets	19,234	16,781

	2022	2021
Net	£000	£000
Total decrease in result after tax and net assets	16,572	14,540

Profit and loss sensitivity to expenses
The following table shows the impact were net operating expenses to increase by 5%:

	2022	2021
Gross	£000	£000
Total decrease in result after tax and net	5,729	5,133

	2022	2021
Net	£000	£000
Total decrease in result after tax and net	5,403	4,837

Notes to the financial statements (continued)

4 Risk and capital management
(continued)

An analysis of the Company's sensitivity to inflation risk is presented in the table below. The table below shows the potential impact on the Company's loss reserves for an indefinite increase/(decrease) in inflation (e.g. the 100 basis point shows the impact if inflation remains 100 basis point higher than expected from now until all liabilities are run-off). Inflation is calculated as the inflation in the cost of settling claims.

Inflation risk

An analysis of the Company's sensitivity to inflation risk is presented in the table below. The table below shows the potential impact on the Company's loss reserves for an indefinite increase/(decrease) in inflation (e.g. the 100 basis point shows the impact if inflation remains 100 basis point higher than expected from now until all liabilities are run-off). Inflation is calculated as the inflation in the cost of settling claims.

	Gross	Net
	£000	£000
Impact of 100 basis point increase on loss reserves	15,335	13,373
Impact of 100 basis point decrease on loss reserves	(15,048)	(13,117)
Impact of 200 basis point increase on loss reserves	30,972	27,015
Impact of 200 basis point decrease on loss reserves	(29,820)	(25,991)

100 and 200 basis points increase/(decrease) in inflation have been selected on the basis that these are considered to be reasonably changes in these risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged, however, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

Credit risk

Credit risk is the risk of financial loss due to counterparties failing to meet some or all of their obligations. The Company’s key areas of exposure to credit risk include:

- counterparty exposures with respect to cash deposits and investments;
- reinsurers’ share of technical provisions;
- amounts due from brokers and policyholders.

The Finance Committee oversees the management of credit risk. The Committee is responsible for ensuring that the Board approved credit risk appetite is not exceeded. Limits are placed on exposures to individual bank and investment counterparties, and groups of counterparties, based on the likelihood of default having regard to the credit rating of the underlying counterparty.

The Company’s strategy is to purchase reinsurance only from reinsurers who meet the Company’s security standards. Reinsurance counterparties are subject to a rigorous internal assessment process by reviewing credit ratings provided by rating agencies and other publicly available financial information. Due to the nature of the reinsurance market, and the restricted range of reinsurers with acceptable credit ratings, the Company is exposed to credit and concentration risk with individual reinsurers and groups of reinsurers.

The Company's exposure to brokers and policyholders is monitored as part of its regular credit control processes. The payment histories of brokers and policyholders are monitored on a monthly basis.

An analysis of the Company’s exposure to counterparty credit risk based on Standard and Poor’s or equivalent ratings, is set out below:

2022	AAA	AA	A	BBB	Not rated	Total
	£000	£000	£000	£000	£000	£000
Other financial investments	452,703	504,566	480,224	1,742	-	1,439,235
Reinsurance claims outstanding	-	34,780	84,081	150	2,085	121,096
Reinsurance debtors	-	838	713	-	480	2,031
Insurance debtors	-	-	-	-	108,949	108,949
Other debtors	-	-	-	-	10,813	10,813
Cash at bank	-	13,727	32,148	-	-	45,875
Total by rating	452,703	553,911	597,166	1,892	122,327	1,727,999
Percentage by rating	26.2%	32.1%	34.5%	0.1%	7.1%	100.0%

Notes to the financial statements (continued)

4 Risk and capital management
(continued)

Credit risk *(continued)*

2021	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Other financial investments	421,441	494,881	376,347	1,700	-	1,294,369
Reinsurance claims outstanding	-	31,807	66,769	129	683	99,388
Reinsurance debtors	-	468	2,125	-	92	2,685
Insurance debtors	-	-	-	-	97,204	97,204
Other debtors	-	-	-	-	6,914	6,914
Cash at bank	-	33,436	34,002	-	-	67,438
Total by rating	421,441	560,592	479,243	1,829	104,893	1,567,998
Percentage by rating	26.8%	35.8%	30.6%	0.1%	6.7%	100.0%

The largest counterparty exposure within the AAA rating was the Federal Republic of Germany as at 31 December 2022 (2021 European Investment Bank). With the exception of AAA and AA government debt securities, the largest credit exposure does not exceed 5% of the Company's total financial assets.

Within the AA rating, the largest reinsurance counterparty at 31 December 2022 and 2021 was Travelers Indemnity Company, an affiliate group company.

As at 31 December 2022 and 2021 the Company held no material financial assets that were past due or impaired beyond their reported fair values. For the current and prior periods the Company did not experience any defaults on investments.

As at 31 December 2022 the Company had pledged as collateral to support the capital requirements of fellow subsidiary operations £18.6m (2021 £20.0m) of government securities.

As at 31 December 2022 the Company had pledged as collateral to support its obligations under the 80% quota share reinsurance with its subsidiary, Travelers Insurance Designated Activity Company, £288.1m of fixed income securities and cash (2021 £228.1m). See note 28 for further details.

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

	Within terms £000	0 - 1 month £000	2 - 3 months £000	Over 3 Months £000	Impairments £000	Total £000
2022						
Other financial investments	1,439,235	-	-	-	-	1,439,235
Reinsurance claims outstanding	121,096	-	-	-	-	121,096
Reinsurance debtors	746	615	601	69	-	2,031
Insurance debtors	99,219	2,091	2,885	4,925	(171)	108,949
Other debtors	10,813	-	-	-	-	10,813
Cash at bank	45,875	-	-	-	-	45,875
Total	1,716,984	2,706	3,486	4,994	(171)	1,727,999

	Within terms £000	0 - 1 month £000	2 - 3 months £000	Over 3 Months £000	Impairments £000	Total £000
2021						
Other financial investments	1,294,369	-	-	-	-	1,294,369
Reinsurance claims outstanding	99,388	-	-	-	-	99,388
Reinsurance debtors	1,657	180	259	589	-	2,685
Insurance debtors	85,278	3,388	3,890	4,764	(116)	97,204
Other debtors	6,914	-	-	-	-	6,914
Cash at bank	67,438	-	-	-	-	67,438
Total	1,555,044	3,568	4,149	5,353	(116)	1,567,998

The Company's maximum exposure to credit risk is represented by the carrying values of financial assets included in the balance sheet. The Company does not use credit derivatives or other products to mitigate the maximum exposure to credit risk.

Notes to the financial statements (continued)

4 Risk and capital management
(continued)

Market risk

The Finance Committee oversees the management of market risk. The Company is exposed to the risk of potential losses from adverse movements in market prices, in particular those of interest rates and foreign currency exchange rates. These exposures are controlled by the setting of limits and by asset-liability matching, in terms of both duration and foreign currency composition, in line with the Company's risk appetite.

Interest rate risk

The Company's investment portfolio is comprised exclusively of high quality fixed income government and corporate bonds. The fair value of the investment portfolio is inversely correlated to movement in market interest rates. If market interest rates rise, the fair value of the Company's fixed income investments will fall. The investments typically have relatively short durations and the portfolio is managed to minimise interest rate risk.

	2022 £000	2021 £000
Impact of 50 basis point increase on result and net assets	(15,854)	(15,783)
Impact of 50 basis point decrease on result and net assets	16,198	16,107
Impact of 200 basis point increase on result and net assets	(61,434)	(60,979)
Impact of 200 basis point decrease on result and net assets	66,943	66,726

Insurance contract liabilities are not directly sensitive to interest rates as they are undiscounted and non-interest bearing.

Currency risk

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

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

	Pound sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Net assets as at 31 December 2022	501,586	118,316	3,901	-	623,803
Net assets as at 31 December 2021	473,076	89,905	(57)	(8)	562,916

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

	Increase Sterling/ Euro £000	Decrease Sterling/ Euro £000	Increase Sterling/ USD £000	Decrease Sterling/ USD £000
Increase/(decrease) in net assets 31 December 2022	(335)	410	(355)	433
Increase/(decrease) in net assets 31 December 2021	(512)	626	5	(6)

Notes to the financial statements (continued)

4 Risk and capital management
(continued)

Liquidity risk

Liquidity risk is the risk that the Company may be unable to settle its obligations as they fall due as a result of insufficient assets being available in a form that can be readily convertible into cash.

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

The following table summarises the maturity profile of the Company's insurance liabilities and creditors analysed based on the estimated remaining duration until settlement:

2022	Total £000	0 - 1 year £000	2 - 5 years £000	More than 5 years £000
Technical provisions	1,290,223	630,980	526,805	132,438
Creditors	56,844	56,844	-	-
Total	1,347,067	687,824	526,805	132,438

2021	Total £000	0 - 1 year £000	2 - 5 years £000	More than 5 years £000
Technical provisions	1,135,354	397,416	590,659	147,279
Creditors	38,958	38,958	-	-
Total	1,174,312	436,374	590,659	147,279

Capital management

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

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

The Company's capital comprises share capital, retained earnings and fair value reserves. For internal modelling purposes the Company treats its available capital as being its shareholder's equity, less capital pledged to support the capital needs of affiliates. As at 31 December 2022 available capital on this basis comprised £605.2m (2021 £542.8m).

The Company is subject to capital requirements imposed by both its regulator and rating agencies. The insurance company capital regime in the UK is on a Solvency II basis. Under this regime the Company's capital requirement is determined using the standard formula. As management sets the target economic capital for the Company, the regulatory and rating agency capital requirements are treated as minimum requirements. In setting its target economic capital and determining capital to allocate to different products the Company employs its internal capital model. At 31 December 2022, the Company's regulatory solvency capital requirement was £442.1m (2021 £412.5m).

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

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

Notes to the financial statements (continued)

5 Continuing and run-off operations

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

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

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

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

	2022		2021	
	Continuing operations £000	Run-off operations £000	Continuing operations £000	Run-off operations £000
Net premiums written	431,661	2	388,582	2
Net premiums earned	409,175	2	359,015	1
Allocated investment return	18,321	522	1,320	493
	427,496	524	360,335	494
Claims paid - gross amount	(174,444)	(1,824)	(114,956)	(2,788)
Claims paid - reinsurers' amount	43,058	(110)	3,580	1,425
Change in provisions for claims - gross amount	(113,753)	2,022	(104,474)	16,155
Change in provisions for claims - reinsurers' amount	18,076	(117)	1,254	(14,057)
Claims incurred, net of reinsurance	(227,063)	(29)	(214,596)	735
Net operating expenses	(133,161)	(252)	(119,234)	(187)
Balance on the technical account	67,272	243	26,505	1,042
Investment income	27,038	522	23,488	493
Investment expenses and charges	(8,717)	-	(22,168)	-
	18,321	522	1,320	493
Allocated investment return transferred to the general business technical account	(18,321)	(522)	(1,320)	(493)
Other income/(expenses)	3,499	(2,936)	(3,102)	3,400
Profit/(loss) on ordinary activities before tax	70,771	(2,693)	23,403	4,442

Notes to the financial statements (continued)

6 Analysis of underwriting result

(a) Analysis of gross premiums written

	2022 £000	2021 £000
Resulting from contracts concluded by the Company :		
Direct	348,488	301,114
Inwards reinsurance	154,260	145,752
	502,748	446,866

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

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

2022	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Underwriting Profit/(loss) £000
Credit and Suretyship	8,903	5,872	(571)	(2,023)	(2,469)	809
Fire and other damage to property	174,565	173,541	(106,828)	(58,183)	(17,552)	(9,022)
Marine and aviation	27,092	19,558	(46,418)	(7,921)	28,112	(6,669)
Motor	17,413	17,924	612	(7,341)	(1,934)	9,261
Third party liability	274,339	257,114	(135,766)	(65,174)	(2,485)	53,689
Miscellaneous	436	901	972	(820)	(449)	604
	502,748	474,910	(287,999)	(141,462)	3,223	48,672

2021	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Underwriting Profit/(loss) £000
Credit and Suretyship	4,753	3,459	664	(1,231)	(2,463)	429
Fire and other damage to property	167,534	155,192	(57,804)	(54,200)	(33,811)	9,377
Marine and aviation	21,468	25,270	(13,633)	(8,587)	(676)	2,374
Motor	18,705	19,433	(7,817)	(7,257)	(1,543)	2,816
Third party liability	232,171	210,402	(127,403)	(55,018)	(17,025)	10,956
Miscellaneous	2,235	578	(70)	(454)	(272)	(218)
	446,866	414,334	(206,063)	(126,747)	(55,790)	25,734

Gross commission payable amounted to £74.0m (2021 £62.0m).

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

Notes to the financial statements (continued)

7 Prior years' claims provisions

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

	2022 £000	2021 £000
Fire and other damage to property	1,587	24,633
Marine and aviation	(3,474)	1,462
Motor	13,020	9,313
Third party liability	19,599	(12,795)
Miscellaneous	682	1
	31,414	22,614

8 Investment income

	2022 £000	2021 £000
Income from investments	26,431	23,288
Gains on the realisation of investments	1,129	693
	27,560	23,981

9 Net operating expenses

	2022 £000	2021 £000
Acquisition costs	74,049	61,963
Change in gross deferred acquisition costs	(6,016)	(3,505)
	68,033	58,458
Administrative expenses	73,429	68,289
Gross operating expenses	141,462	126,747
Reinsurance commissions and profit participation	(8,908)	(8,144)
Change in deferred reinsurance commission	859	818
	133,413	119,421

10 Investment expenses and charges

	2022 £000	2021 £000
Investment management expenses	1,191	952
Losses on the realisation of investments	7,526	21,216
	8,717	22,168

11 Other income/(expenses)

	2022 £000	2021 £000
Foreign exchange loss	(909)	(820)
Fee income	191	556
Other income	1,281	562
	563	298

Notes to the financial statements (continued)

12 Profit on ordinary activities before tax

	2022 £000	2021 £000
Profit on ordinary activities before tax is stated after crediting		
Income from fixed income investments	26,431	23,288
after charging		
Auditor's remuneration:		
Audit of these financial statements	263	217
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit-related assurance services	141	129

13 Remuneration of directors

	2022 £000	2021 £000
Directors' fees	101	95
Directors' emoluments	642	590
Loss of office	225	-
Company contributions to money purchase schemes	7	8
Gains on share options exercised	201	13

The salary and bonus of the highest paid director for the year was £513,723 (2021 £467,241) and the pension contribution to a money purchase scheme was £2,000 (2021 £2,750). Share options were exercised in 2022 (were exercised in 2021).

	Number of directors	
Retirement benefits are accruing to the following number of directors:	2022	2021
Money purchase schemes	2	2
Defined benefit schemes	-	-
The number of directors who exercised share options was	2	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	-

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

Notes to the financial statements (continued)

14 Taxation

Analysis of total tax charge/(credit) for the year

(a) Tax included in the non-technical account

	2022 £000	2021 £000
United Kingdom Corporation Tax		
United Kingdom Corporation Tax at 19.0% (2021 19.0%)	7,368	-
Adjustment in respect of prior periods	4,250	-
Total current tax charge	11,618	-
Deferred tax		
Deferred tax charge	1,089	5,195
Changes in tax rate	(64)	(4,603)
Tax charge on profit on ordinary activities	12,643	592

(b) Tax included in Other Comprehensive Income	2022 £000	2021 £000
Deferred tax:		
Credit on unrealised losses on investments	(27,062)	(6,140)
Tax credit on Other Comprehensive Income	(27,062)	(6,140)

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

The tax charge for the year is lower than (2021 lower than) the standard rate of corporation tax in the UK:

	2022 £000	2021 £000
Profit on ordinary activities before tax	68,078	27,845
Tax using the corporation tax rate of 19.0% (2021 19.0%)	12,935	5,291
Effect of tax rate change	(64)	(4,603)
Prior year adjustments - current tax	4,250	-
Prior year adjustments - deferred tax	(4,250)	(5)
Non-taxable income	(228)	(91)
Total tax charge/(credit)	12,643	592

In the UK's 2021 Budget, the UK Government announced the UK corporation tax will increase to 25% on 1 April 2023. Royal assent was received on 10 June 2021.

As at 31 December 2022 the Company had tax losses carried forward of £87.2m (2021 £93.0m) which have been fully recognised at the year end. Further information can be seen in note 20.

Notes to the financial statements (continued)

15 Investment in Group Undertaking

The following table gives information on the Company's investment in TIDAC as at 31 December 2022:

	2022 £000	2021 £000
Cost	114,628	84,272
Net assets	112,670	80,948
Class of shares held	Ordinary	Ordinary

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

During the year the Company injected £30.4m of new capital in return for the issuance of new shares.

There is no accumulated impairment recognised in the Investment in Group Undertaking.

16 Investments

(a) Fair value

	Fair Value 2022 £000	Fair Value 2021 £000	Cost 2022 £000	Cost 2021 £000
Debt and other fixed income securities	1,439,235	1,294,369	1,576,607	1,324,130
Included in debt and other fixed income securities:				
UK fixed income securities	244,109	241,353	265,494	249,189
Overseas fixed income securities	1,195,126	1,053,016	1,311,113	1,074,941
	1,439,235	1,294,369	1,576,607	1,324,130

(b) Movement in the year

	2022 £000	2021 £000
Investments brought forward	1,294,369	1,176,600
Purchases	529,850	484,786
Fair value adjustments	(107,610)	(24,379)
Disposals/maturities	(290,851)	(336,987)
Currency translation movements	13,477	(5,651)
Investments carried forward	1,439,235	1,294,369

Notes to the financial statements (continued)

16 Investments

(continued)

(c) Fair value measurement of investments

The Company's estimates of fair value for investments are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement of its entirety. The three levels of the hierarchy are as follows:

- Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly; or
- Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability and therefore, prices are determined using a valuation technique.

The Company utilised a pricing service to estimate the fair value of its investments at both 31 December 2022 and 31 December 2021.

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

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

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets as at 31 December 2022	-	1,439,235	-	1,439,235
Financial assets as at 31 December 2021	-	1,294,369	-	1,294,369

17 Debtors arising out of insurance operations

	2022 £000	2021 £000
Amounts owed by intermediaries	108,949	97,204
Amounts owed by policyholders	-	-
	108,949	97,204

There is no significant concentration of credit risk with respect to debtors arising out of insurance operations. The carrying amounts disclosed are reasonable approximations of the fair values at the reporting date.

Notes to the financial statements (continued)

18 Debtors arising out of reinsurance operations

	2022 £000	2021 £000
Amounts owed by reinsurers	2,031	2,685

19 Other debtors

	2022 £000	2021 £000
Amounts owed by group undertakings	10,581	5,801
UK tax recoverable	-	860
Other debtors	232	253
	10,813	6,914

20 Deferred tax asset

The amounts provided for deferred taxation are set out below:

2022	Tax losses carried forward £000	Equalisation reserve £000	Unrealised losses on investments £000	Total net deferred tax £000
Deferred tax asset/(liability) brought forward	22,274	-	7,161	29,435
Current year P&L	(5,339)	-	-	(5,339)
Prior year P&L	4,250	-	-	4,250
Other comprehensive income	-	-	26,905	26,905
Impact of changes in tax rate	64	-	157	221
	21,249	-	34,223	55,472

2021	Tax losses carried forward £000	Equalisation reserve £000	Unrealised losses on investments £000	Total net deferred tax £000
Deferred tax asset/(liability) brought forward	23,293	(427)	1,021	23,887
Current year profit and loss	(5,200)	-	-	(5,200)
Prior year profit and loss adjustments	(422)	427	-	5
Other comprehensive income	-	-	4,632	4,632
Impact of changes in tax rate	4,603	-	1,508	6,111
	22,274	-	7,161	29,435

The tax losses carried forward have no time limit. There were no amounts that were unprovided for in the year (2021 £nil). The net reversal of deferred tax expected to occur next year is £7.5m (2021 £3.8m), relating to the utilisation of tax losses carried forward of £31.8m (2021 £20.2m).

Notes to the financial statements (continued)

21 Called up share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
392,055,368 (2021 306,055,368) ordinary shares of £1 each	392,055	306,055

During the year the Company received a capital injection of £86.0m in return for the issuance of 86.0m new ordinary £1 shares.

22 Technical provisions and deferred acquisition costs

(a) Unearned premium provision	Gross 2022 £000	Reinsurance 2022 £000	Net 2022 £000	Gross 2021 £000	Reinsurance 2021 £000	Net 2021 £000
Balance as at 1 January	233,508	24,462	209,046	201,954	21,411	180,543
Change in unearned premiums	27,838	5,352	22,486	32,532	2,964	29,568
Effect of movements in exchange rates	4,333	1,205	3,128	(978)	87	(1,065)
Balance as at 31 December	265,679	31,019	234,660	233,508	24,462	209,046

(b) Claims outstanding	Gross 2022 £000	Reinsurance 2022 £000	Net 2022 0	Gross 2021 £000	Reinsurance 2021 £000	Net 2021 £000
Balance as at 1 January	901,846	99,388	802,458	820,137	112,631	707,506
Change in claims outstanding	111,731	17,959	93,772	88,319	(12,803)	101,122
Effect of movements in exchange rates	10,967	3,749	7,218	(6,610)	(440)	(6,170)
Balance as at 31 December	1,024,544	121,096	903,448	901,846	99,388	802,458
Claims notified	329,495	51,339	278,156	306,674	35,347	271,327
Claims incurred but not reported	668,401	69,676	598,725	573,750	63,811	509,939
Unallocated loss adjustment expenses	26,648	81	26,567	21,422	230	21,192
Balance as at 31 December	1,024,544	121,096	903,448	901,846	99,388	802,458

(c) Deferred acquisition costs	2022	2021
	£000	£000
Gross		
At the start of the year	(26,187)	(22,852)
Movement in provision	(6,016)	(3,505)
Currency translation differences	(567)	170
At the end of the year	(32,770)	(26,187)

	2022	2021
	£000	£000
Reinsurance amount		
At the start of the year	2,747	1,886
Movement in provision	859	818
Currency translation differences	186	43
At the end of the year	3,792	2,747

Notes to the financial statements (continued)

23 Analysis of insurance claims provisions

(a) Loss development tables

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an accident year basis. Balances have been translated at exchange rates prevailing at 31 December 2022.

Gross loss development table

Accident year	l prior years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current estimate of gross ultimate claims												
At end of accident year	-	218,626	253,997	270,118	134,735	152,908	171,476	178,117	228,431	249,542	305,263	2,163,213
One year later	-	144,717	169,683	200,825	144,806	168,854	175,659	227,505	243,676	251,862	-	1,727,587
Two years later	-	143,409	226,101	185,580	148,148	164,071	169,146	185,820	207,299	-	-	1,429,574
Three years later	-	156,963	210,092	188,168	141,082	158,672	176,796	187,489	-	-	-	1,219,262
Four years later	-	160,435	206,813	189,545	142,188	148,611	201,394	-	-	-	-	1,048,986
Five years later	-	161,706	196,184	180,935	136,783	149,233	-	-	-	-	-	824,841
Six years later	-	153,295	197,476	169,754	133,034	-	-	-	-	-	-	653,559
Seven years later	-	154,796	196,138	167,381	-	-	-	-	-	-	-	518,315
Eight years later	-	161,591	194,027	-	-	-	-	-	-	-	-	355,618
Nine years later	-	160,652	-	-	-	-	-	-	-	-	-	160,652
Estimate of gross ultimate claims	-	160,652	194,027	167,381	133,034	149,233	201,394	187,489	207,299	251,862	305,263	1,957,634
Cumulative claims payments to date		(143,303)	(177,343)	(151,999)	(108,009)	(118,989)	(93,882)	(95,740)	(82,630)	(60,260)	(75,182)	(1,107,337)
Claims liability outstanding	147,599	17,349	16,684	15,382	25,025	30,244	107,512	91,749	124,669	191,602	230,081	997,896
Unallocated loss adjustment expenses												26,648
Gross claims outstanding												**1,024,544**

Net loss development table

Accident year	l prior years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current estimate of net ultimate claims												
At end of accident year	-	203,992	186,035	208,323	115,651	107,630	137,233	160,516	206,481	227,455	243,541	1,796,857
One year later	-	137,883	151,462	167,983	127,022	119,253	143,298	220,563	225,735	233,803	-	1,527,002
Two years later	-	137,518	163,905	150,999	132,264	116,833	139,353	175,131	189,082	-	-	1,205,085
Three years later	-	143,711	150,192	154,788	125,209	109,712	151,044	176,543	-	-	-	1,011,199
Four years later	-	148,202	149,954	154,751	119,263	103,203	172,890	-	-	-	-	848,263
Five years later	-	144,837	139,064	147,683	121,293	102,837	-	-	-	-	-	655,714
Six years later	-	137,208	138,882	136,562	117,015	-	-	-	-	-	-	529,667
Seven years later	-	136,940	137,993	134,581	-	-	-	-	-	-	-	409,514
Eight years later	-	139,548	135,412	-	-	-	-	-	-	-	-	274,960
Nine years later	-	138,587	-	-	-	-	-	-	-	-	-	138,587
Estimate of net ultimate claims	-	138,587	135,412	134,581	117,015	102,837	172,890	176,543	189,082	233,803	243,541	1,644,291
Cumulative claims payments to date		(127,691)	(119,116)	(120,074)	(92,945)	(77,309)	(88,158)	(90,794)	(73,223)	(57,625)	(34,824)	(881,759)
Claims liability outstanding	114,349	10,896	16,296	14,507	24,070	25,528	84,732	85,749	115,859	176,178	208,717	876,881
Unallocated loss adjustment expenses												26,567
Net claims outstanding												**903,448**

Notes to the financial statements (continued)

24 Creditors arising out of direct insurance operations

	2022	2021
	£000	£000
Amounts owed to intermediaries	4,391	1,648
Amounts owed to policyholders	973	1,383
	5,364	3,031

25 Other creditors including taxation and social security

	2022	2021
	£000	£000
UK tax payable	1,387	-
Insurance premium taxes	10,922	9,327
Amounts owed to group undertakings	16,921	10,392
	29,230	19,719

26 Accruals and deferred income

	2022	2021
	£000	£000
Reinsurers' share of deferred acquisition costs	3,792	2,747
Accrued expenses	1,181	1,803
	4,973	4,550

27 Related party transactions

As the Company is a wholly owned subsidiary of The Travelers Companies, Inc., it has taken advantage of the exemptions in FRS 102.33.1A not to disclose transactions or balances with other group entities which qualify as related parties.

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

28 Commitments and Contingent Liabilities

In the normal course of business, letters of credit to the value of $75.0k (2021 $75.0k) have been issued to fiscal authorities against insurance tax liabilities. These are secured against bank deposits.

On establishment of TIDAC, a collateral arrangement was put in place between the Company and TIDAC to support the reinsurance agreement. The arrangement requires that the premium paid to the Company by TIDAC be held within an escrow account for a period of at least 2 years before it can be released. Claims paid relating to this reinsurance arrangement can be funded from the collateral account. The funds held within the collateral account at the year end were £288.1m (2021 £228.1m). These funds are reported within other financial investments.

The Company has also guaranteed the lease commitments of an affiliated company relating to one of its main operating premises in the United Kingdom. The commitment is £607.7k per annum, expiring in 2027.

Acting as a third party depositor under a trust deed executed in 2013, the Company has deposited £18.6 m (2021 £20.0m) in fixed income securities with Lloyd's as security for the underwriting activities of its affiliate companies, Aprilgrange Limited and F&G UK Underwriters Limited. The fees attaching to this security earned by the Company were £0.2m (2021 £0.6m).

The Company has secured licences to write business on a surplus lines basis in the United States of America. As a condition of the grant of these licences the Company has deposited $5.5m (2021 $5.4m) into a trust fund.

Letters of credit to the value of $1.4m ($1.4m) have been issued to the Society & Council of Lloyd's against insurance liabilities.

Travelers has a pension scheme in the UK providing benefits based on final pensionable pay. This scheme was closed with effect from 1 April 2003. Travelers Management Limited bears responsibility for meeting any funding requirements of this scheme. In the event that Travelers Management Limited was not able to fulfil its obligations this responsibility would fall to the Company. The updated valuation for FRS 102 purposes as at 31 December 2022 identified a surplus of £9.4m (2021 surplus of £2.9m).

Notes to the financial statements (continued)

29 Immediate and ultimate parent company

The immediate and ultimate parent undertaking of the Company is The Travelers Companies, Inc., a company registered in the United States. Copies of The Travelers Companies, Inc. accounts can be obtained from the Company's registered office, One Creechurch Lane, London EC3A 5AF, or the Company's website: www.travelers.co.uk.

30 Affiliate company guarantee

All obligations and liabilities of the Company arising from the Company's past or future underwriting activities are guaranteed unconditionally by St. Paul Fire & Marine Insurance Company, one of the principal insurance subsidiaries of The Travelers Companies, Inc.. The guarantee is terminable by the guarantor on twelve months' notice, but termination would, by the terms of the guarantee, be of no effect in respect of business underwritten prior to the date of termination.