The Ocean Marine Insurance Company Limited

Registered in England and Wales No. 00027204

Annual Report and Financial Statements 2019

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Directors and officer

Directors

T J Latter
A J Morrish
S Maillet

Officer - Company Secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

St Helen's
1 Undershaft
London
EC3P 3DQ

Company number

Registered in England and Wales No. 00027204

Other information

The Ocean Marine Insurance Company Limited ("the Company") is a member of the Association of British Insurers and covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority (“FCA”) and the Prudential Regulation Authority (“PRA”).

The Company is a member of the Aviva plc group of companies ("the Group").

Strategic report

The directors present their strategic report for the Company for the year ended 31 December 2019.

Review of the Company’s business

The principal activity of the Company during the year continued to be the settlement of its existing general insurance liabilities, with the Company having ceased to accept business in the London Market in 1995. All business is wholly reinsured through reinsurance agreements entered into with National Indemnity Company in 2000.

The Company has an Adverse Reserve Deterioration (“ARD”) agreement with its parent company, Aviva Insurance Limited. This agreement provides an extra £1 billion of reinsurance cover to protect against circumstances in which the reinsurance with National Indemnity Company is exhausted or otherwise fails to satisfy claims. Together these arrangements provide substantial protection in excess of current gross liabilities.

Significant events

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial markets.

As an insurer the Company is impacted by the COVID-19 pandemic through its general insurance products and the impact on investment returns. The Company’s balance sheet exposure has been reviewed, the company continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Notwithstanding the Company’s strong capital and liquidity position, deterioration in the situation could have further adverse implications arising from the impacts on financial markets, insurance exposures and operations. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at this stage.

Financial position and performance

The financial position of the Company at 31 December 2019 is shown in the statement of financial position on page 22, with the results shown in the income statement on page 20 and the statement of cash flows on page 23.

During the year the Company continued to manage the run-off of its insurance portfolio. The Company's profit before tax was £232 thousand (2018: £1,063 thousand).

Section 172 statement

The Directors report here on how they have discharged their duties under Section 172 of the Companies Act 2006.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that the Directors’ obligations to its shareholder and to its stakeholders are met. The Board monitors adherence to the Group business standards and compliance with local corporate governance requirements and is committed to acting if our businesses should fail to act in the manner the Board expects of them.

For each matter which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board’s decision making process.

The Board is also focussed on the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet’s wellbeing.

The Company’s culture

As the provider of vital financial services to millions of customers, Aviva seeks to earn its customers’ trust by acting with integrity and responsibility at all times. We look to build relationships with all our stakeholders based on openness and continuing dialogue.

The Company’s culture is shaped, in conjunction with its immediate parent company, Aviva Insurance Limited, and its ultimate shareholder, Aviva plc, by jointly held and clearly defined values to help ensure we do the right thing. The Company values diversity and inclusivity in its workforce and beyond. The commitment the Company makes to each customer extends to all the Company’s stakeholders; that is ‘with you today, for a better tomorrow’. Throughout the Company’s business, the Board is proud that the Company’s staff live by the core value of Caring More for their customers, for each other and for the communities they serve.

Strategic report (continued)

Review of the Company's business (continued)

Key strategic decisions in 2019
From 1 July 2019 the decision was made to operate the UK Life and Pensions business separately to the UK General Insurance business, with the digital direct business being integrated into UK General Insurance. UK General Insurance CEO Colm Holmes delivered the UKGI Operating Model which focuses on a driving a better customer experience and reducing complexity in business process and products.

Stakeholder engagement

(i) Employees
The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Group, these staff enjoy the benefit of the Group and benefits made available to them.

There are twice yearly steering groups between Aviva senior employees and their equivalents at Resolute Management where key stakeholder engagement takes place.

The Company's people share in the business' success as shareholders through membership of the Group's global share plans.

(ii) Customers
The Company's claim trends are reviewed and discussed at the Latents Claims Senior Leadership Team which is then presented to the Board on a quarterly basis.

The Aviva Supplier Assurance Team review Resolute Management on an annual basis to check on compliance and customer best interest.

(iii) Suppliers
All supplier related activity is managed in line with the Group Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual and brand damage caused by inadequate oversight or supplier failure.

Claims audits also take place annually to review processes and the use of claims suppliers.

(iv) Communities
The Group actively encourages and supports colleagues to volunteer in their communities, providing 21 hours of paid volunteering time to make a positive impact and help build stronger communities. Some members of the Board hold directorships with charities and spend time supporting charity trustee work in different communities.

(v) Shareholders
The Company's shareholder is Aviva Insurance Limited. Any matters requiring escalation are escalated by the Board through the Chair to its parent.

(vi) Regulators
As one of the subsidiaries of the UK General Insurance business, the Company's senior management and its compliance function engage in regular meetings with the FCA and PRA.

As a dual regulated entity under the Senior Manager's Certification Regime, the Company is required to produce a Management Responsibilities Map and this is shared with the Regulators on a quarterly basis.

Future outlook
The strategic direction of the Company is set by the directors of the Company. The directors expect that the nature of the Company's principal activity of general insurance business run-off will continue unchanged for the foreseeable future.

Strategic report (continued)

Review of the Company's business (continued)

Principal risks and uncertainties
A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in notes 16 and 19 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- General Insurance risk, including fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations when pricing and reserving.
- Market risk, the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices.
- Credit risk, the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default and rating transition.
- Brexit risk: Although Brexit is not expected to have significant operational impact on the Company, the influence that it will continue to have on the UK economy will require careful monitoring.
- Coronavirus, the risk of continued adverse impacts on financial markets, insurance exposures and operations.

Key performance indicator ("KPI")
The directors consider that the Company's KPI that communicates the financial performance is the percentage change in gross outstanding claims.

	2019	**2018**
Percentage reduction in gross outstanding claims	(5)%	(4)%

The continued reduction in gross outstanding claims is in line with anticipated settlement of claims.

On behalf of the Board on 7 April 2020

T J Latter
Director

Directors' report

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2019.

Directors
The names of the current directors of the Company are shown on page 3.

Details of Board appointments and resignations during the year and since the year end are shown below:

R I L Townend resigned as a director of the Company on 20 December 2019
S Maillet was appointed as a director of the Company on 5 February 2020

Company Secretary
The name of the company secretary of the Company is shown on page 3.

Future outlook
Likely future developments in the business of the Company are discussed in the strategic report.

Dividend
Interim ordinary dividends totalling £25,000 thousand on the Company’s ordinary shares were declared and settled during 2019 (2018: £nil), all of which was settled in cash.

The directors do not recommend the payment of a final dividend on the Company's ordinary shares for the year ended 31 December 2019 (2018: £nil).

Going concern
The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial instruments and financial risk management
The Company uses financial instruments to manage certain types of risks, including those relating to foreign currency exchange. Details of the objectives and management of these instruments are contained in note 19 on risk management.

Employees
The Company has no employees. All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the Annual Report and Financial Statements of Aviva Employment Services Limited.

Directors' report (continued)

Disclosure of information to the auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditor, PricewaterhouseCoopers LLP, are unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP are aware of that information.

Independent auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

Qualifying indemnity provisions

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of section 309A to section 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 reasonable and prudent judgements and accounting estimates;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board on 7 April 2020

T J Latter
Director

Independent auditors' report to the members of The Ocean Marine Insurance Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Ocean Marine Insurance Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2019 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall materiality: £4,416 thousand (2018: £4,764 thousand), based on 1% of total assets.

- Using the output of our risk assessment, we scoped our audit based on materiality over each financial statement line item.

- Valuation of net insurance liabilities.
- Impact of COVID-19 subsequent event.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Financial Conduct Authority's and the Prudential Regulation Authority's regulations applicable to insurance companies and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the financial statements as shown in our 'Key Audit Matters'. The engagement team shared this risk assessment with the other auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the engagement team and/or other auditors included:

- Discussions with the Board, management, internal audit, senior management involved in the Risk and Compliance functions and the Legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Making enquiries of the Group Investigations team who are responsible for independently reviewing fraudulent activity across the group, utilising activities including, but not limited to, whistle blowing hotlines and data analytics;
- Testing the operating effectiveness and reviewing the results of management's internal controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the of the Risk Committee, GI Reserve and Capital Committee and Board of Directors;
- Reviewing the company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Procedures relating to the valuation of insurance claims liabilities described in the related key audit matter below;
- Identifying and testing journal entries, in particular journals that appear to be posted outside the normal patterns or parameters; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of net insurance liabilities Insurance liabilities are based on an estimated ultimate cost of all claims incurred but not settled at 31 December 2019, whether reported or not, together with the related claims handling costs. An estimate is also made of corresponding reinsurance assets. The valuation of these insurance liabilities and assets is a significant accounting estimate in the financial statements and involves a significant degree of judgement.	In performing our audit over net insurance liabilities, we have used actuarial specialists as part of our team to conduct some of the testing. Our procedures included: • For all classes of business, we tested the methodology and assumptions used by the directors to estimate the insurance liabilities and associated reinsurance assets. In performing the above, we have also considered and tested the following:

Key audit matter	How our audit addressed the key audit matter
The company has been in run-off for many years. Due to the historic nature of the liabilities, the directors monitor and understand movements or any emerging trends in key metrics, in total and for each class of business, such as prior year development, the IBNR to outstanding claims ratio, and the paid survival ratio. A reinsurance agreement between the Company and a third party reinsurer reduces the risk that any gross deterioration would impact the net insurance liabilities as it provides substantial protection in excess of current booked gross liabilities. Key areas of focus this year were: • The use of appropriate reserving methodologies and assumptions and the consistency of their application from year to year. Refer to Accounting policy B (page 16) and G (page 17) and Note 10 and 16 (page 27 and 31) for disclosure of related accounting policies, judgements and estimates.	• The internal control environment in place over insurance liabilities including: o Governance control activities; and o Control activities supporting key data used in the estimation process. • The underlying relevant data (including but not limited to claims case estimates and paid claims) to relevant evidence. • Examined prior year run-off of previous estimates. • Examined third party reinsurance contracts and assessed the non-performance risk of the contracts and also considered the remaining 'headroom' in the contracts in developing our testing strategy. • The director's assessment of estimation uncertainty. • Considered whether any of our audit procedures gave rise to an indication of management bias in the estimates. Based on the work performed and evidence obtained, we were satisfied with the insurance liabilities booked.
Impact of COVID-19 subsequent event	
As disclosed in note 21, 2020 has begun with the outbreak of a new strain of Coronavirus (COVID-19) in China resulting in a global pandemic causing significant economic disruption. The situation at 31 December 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. The subsequent spread of the virus and its identification as a new coronavirus does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore a non-adjusting event. Management have ensured that the measurement of assets and liabilities reflects only the conditions that existed at the reporting date. However, events after the reporting date can provide additional information about the uncertainties that existed at the reporting date. Subsequent to the year-end management have performed procedures to assess the financial and operational impacts of COVID-19 which include: Measures to limit the operational impact of being able to deliver key customer and reporting activities; • Operation of a risk management framework to ensure sufficient capital surplus is maintained to meet liabilities, even under stress scenarios and having robust plans in place for certain management actions if the company falls outside its approved risk appetite; • Frequent monitoring of the company's solvency coverage ratio through regular meetings of the Financial Crisis team; • Actively managing the company's capital and liquidity position including monitoring of asset credit quality, and actively managing liquidity on a fund by fund basis; and • Communications with the PRA by management. Management have concluded the company will continue to meet its capital requirements and operate through this	We assessed management's approach to the impact of COVID-19 on the company and the financial statements by performing the following procedures: • Evaluated management's stress and scenario testing and challenged management's key assumptions. As the Solvency Capital Requirement and Risk Margin are not subject to audit, we reviewed the controls and governance over the production of this information and considered its consistency with other available information and our understanding of the business. • Assessed the mitigating actions management have put in place and further plans they have if they are required due to further deterioration of the wider UK and Global economy. • Read correspondence with the PRA in relation to COVID-19. • Read board papers on COVID-19 and attended risk committee meetings held in 2020. • Assessed the disclosures made by management in the financial statements and checked consistency of the disclosures with our knowledge of the company based on our audit. • Obtained and evaluated management's assessments of the potential impact on claims levels for individual classes of business and agreed to supporting information and analyses. • Obtained and reviewed relevant reinsurance contracts (including Excess of Loss agreements) and reviewed correspondence with reinsurance providers. Based on the work performed and the evidence obtained, we consider the disclosure of the impact of COVID-19 in the financial statements to be appropriate.

Key audit matter	How our audit addressed the key audit matter
pandemic and the company continues to be a going concern. However, as the situation is rapidly evolving it is not possible to quantify the potential financial impact of the outbreak on the company.	

How we tailored the audit scope

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

We performed a full scope audit of the complete financial information of the entity in accordance with our materiality and risk assessment. In doing so, we also considered qualitative and quantitative factors across all financial statement line items in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£4,416 thousand (2018: £4,764 thousand).
How we determined it	1% of total assets.
Rationale for benchmark applied	The principal activity of the Company is to run-off its existing book of business and it is 'fully reinsured'. Therefore total assets were considered to be the most relevant financial metric.

We agreed with the directors that we would report to them misstatements identified during our audit above £220 thousand (2018: £238 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 3 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2012 to 31 December 2019.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 April 2020

Accounting policies

The Company is a private limited liability company incorporated and domiciled in the United Kingdom ("UK"). Its principal activity is the settlement of its existing general insurance liabilities, with the Company having ceased to accept business in the London Market in 1995.

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

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the European Union and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value. The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 5.

In accordance with IFRS 4, Insurance Contracts, the Company has applied existing accounting practices for insurance contracts, modified as appropriate to comply with the IFRS framework and applicable standards. Further details are given in accounting policy D below.

The financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£000s).

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2019:

(i) IFRS 16

In January 2016, the IASB published IFRS 16 Leases. This standard replaces IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. The standard has been endorsed by the EU.

The standard has introduced a definition of a lease with a single lessee accounting model, eliminating the classification of either operating or finance leases. Lessees are required to recognise lease assets and liabilities on the statement of financial position for all leases, with the exception of short-term and low-value leases. Lessor accounting remains similar to current practice set out in IAS 17. The adoption of the standard did not affect the assets, liabilities or retained earnings at 1 January 2019. The Company currently has no leases.

The following amendments to existing standards and IFRIC interpretations have been issued and endorsed by the EU, are effective from 1 January 2019 or earlier, and do not have a significant impact on the Company's financial statements.

(ii) IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The standard is effective for annual reporting beginning on or after 1 January 2019 and has not yet been endorsed by the EU.

(iii) Annual Improvements to IFRS Standards 2015-2017 Cycle

These improvements consist of amendments to three IFRSs including IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing Costs. The amendments are effective for annual reporting beginning on or after 1 January 2019.

Accounting policies (continued)

(A) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company
The following new standards, amendments to existing standards have been issued, are not yet effective and have not been adopted early by the Company:

(i) IFRS 17, Insurance Contracts
In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured every reporting period (the fulfilment cash flows); a contractual service margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The impact of the adoption of IFRS 17 has yet to be fully assessed by the Company but it is expected there may be significant impacts relating to the measurement and presentation of the contracts in scope of the standard. Following the publication of an Exposure Draft of proposed amendments to IFRS 17 in June 2019, it is expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023 at the earliest. The final standard is due to be published mid-2020 and remains subject to endorsement by the EU and the UK. We note the UK's endorsement procedure, following departure from the EU, remains under development through the transition period to the end of December 2020.

The following new standards, amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

(ii) Amendments to IFRS 4, Insurance Contracts
In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to implementing the new accounting standard for insurance contracts, IFRS 17, which replaces IFRS 4. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied. The Company is eligible to apply the deferral approach as its activities are predominantly connected with insurance, as defined by the amendments to IFRS 4. The Company has opted to apply this deferral from 2018.

In March 2020 the IASB recommended an amendment to IFRS 17 to defer the effective date to 1 January 2023. At the same time, they recommended an extension to the fixed expiry date for the temporary exemption for insurers from applying IFRS 9 until 1 January 2023. These recommendations are subject to IASB's due process. Final amendments are expected to be published in mid-2020.

The impact of the adoption of IFRS 9 on the Company's financial statements will, to a large extent, have to take into account the interaction with the new insurance contracts standard IFRS 17. As such, it is not possible to fully assess the effect of the adoption of IFRS 9. IFRS 9 has been endorsed by the EU.

The following new standards, amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

(iii) Amendments to References to the Conceptual Framework in IFRS Standards
Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(iv) Amendments to IAS 1 and IAS 8: Definition of Material
Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

Accounting policies (continued)

(A) Basis of preparation (continued)

(v) Interest Rate Benchmark Reform
Published by the IASB in October 2019. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(vi) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have not yet been endorsed by the EU.

(B) Critical accounting policies and the use of estimates
The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

Critical accounting policies
The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements, including those judgements involving estimation.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly.

The table below sets out those items we consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy and notes disclosures.

Item	Critical accounting assumptions	Accounting policy	Note
Measurement of insurance contract liabilities	Principal assumptions used in the calculation of general insurance liabilities include the discount rates used in determining our latent claim and structured settlement liabilities, and the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques).	G	10
Contingent liabilities	When evaluating whether a contingent liability should be recognised the Company assesses the likelihood of a constructive or legal obligation to settle a past event and whether the amount can be reliably estimated. The amount of provision is determined based on the Company's estimation of the expenditure required to settle the obligation at the statement of financial position date.	M	16

(C) Foreign currency translation
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Monetary assets and liabilities are translated at the year end exchange rate.

(D) Product classification
Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

Accounting policies (continued)

(D) Product classification (continued)

As noted in accounting policy A, insurance contracts in general continue to be measured and accounted for under existing accounting practices at the later of the date of transition to IFRS (‘grandfathered’) or the date of the acquisition of the entity, in accordance with IFRS 4. IFRS accounting for insurance contracts in UK companies was grandfathered at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers (subsequently withdrawn by the ABI in 2015).

The accounting policies or accounting estimates have been changed, as permitted by IFRS 4 and IAS 8 respectively, to remeasure designated insurance liabilities to reflect current market interest rates and changes to regulatory capital requirements. When accounting policies or accounting estimates have been changed, and adjustments to the measurement basis have occurred, the financial statements of that year will have disclosed the impacts accordingly.

(E) Premiums

Premiums written include adjustments to premiums written in earlier periods.

(F) Net investment income

Investment income consists of dividends, interest receivable and realised and unrealised gains and losses on investments classified as fair value through profit and loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate.

Unrealised gains and losses, arising on financial investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

(G) Insurance liabilities

Claims

Insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Outstanding claims provisions

Insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, including environmental and pollution exposures, the ultimate cost of which cannot be known with certainty at the statement of financial position date. As such, booked claims provisions are based on the best estimate of the cost of future claims payments plus an explicit allowance for risk and uncertainty. Any estimate represents a determination within a range of possible outcomes. Further details of estimation techniques and assumptions are given in note 10(d).

Provisions for latent claims and claims that are settled on an annuity type basis such as structured settlements are discounted, in the relevant currency at the reporting date, having regard to the expected settlement dates of the claims and the nature of the liabilities. The discount rate is set at the start of the accounting period with any change in rates between the start and end of the accounting period being reflected as a change in insurance liabilities. The range of discount rates used is described in note 10(b).

Outstanding claims provisions are valued net of an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts. Where material, anticipated recoveries are disclosed under receivables and not deducted from outstanding claims provisions.

Accounting policies (continued)

(H) Reinsurance

The Company cedes reinsurance in the normal course of business. The cost of reinsurance is earned over the risk profile underlying reinsured policies, using assumptions consistent with those used to account for these policies. Where insurance liabilities are discounted, any corresponding reinsurance assets are also discounted using consistent assumptions.

Reinsurance assets primarily include balances due from insurance and reinsurance companies for ceded insurance. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has an impact that can be reliably measured on the amounts that the Company will receive from the reinsurer.

(I) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(J) Receivables

Receivables, including inter-company loans, are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

To the extent that a receivable is considered to be uncollectable, it is written down as impaired through the Income Statement. Any subsequent recoveries are credited to the Income Statement.

(K) Payables and other financial liabilities

Payables, including inter-company amounts payable, are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method.

(L) Statement of Cash Flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

Operating cash flows

Purchases and sales of loans and financial investments, and related investment income, are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

Accounting policies (continued)

(M) Contingent liabilities

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable yet still possible or the amount cannot be reliably estimated.

(N) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(O) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Group’s own equity instruments.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

Income statement
For the year ended 31 December 2019

	Note	**2019 £000**	2018 £000
Income			
Gross written premiums		**(4)**	48
Premiums ceded to reinsurers		**4**	(48)
Premiums written and earned net of reinsurance		**-**	-
Net investment income	2	**263**	1,098
		263	**1,098**
Expenses	3		
Claims paid, net of reinsurance		**-**	-
Change in claims provisions, net of reinsurance		**-**	-
Fee and commission expense, net of reinsurance		**-**	-
Other operating expenses		**(31)**	(35)
		(31)	**(35)**
Profit before tax		**232**	1,063
Tax	7	**158**	(202)
Profit for the year		**390**	**861**

The Company has no recognised income and expenses other than that included in the results above and therefore a statement of comprehensive income has not been presented.

The accounting policies on pages 14 to 19 and the notes on pages 24 to 39 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Ordinary share capital £000	Capital reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	1,000	28,078	85,112	114,190
Total comprehensive income and profit for the year	-	-	861	861
Balance at 31 December 2018	1,000	28,078	85,973	115,051
Total comprehensive income and profit for the year	-	-	390	390
Dividends paid in year			(25,000)	(25,000)
Balance at 31 December 2019	1,000	28,078	61,363	90,441

The accounting policies on pages 14 to 19 and the notes on pages 24 to 39 form an integral part of these financial statements.

Statement of financial position
As at 31 December 2019

	Note	2019 £000	2018 £000
ASSETS			
Reinsurance assets	11	**350,348**	368,750
Receivables	9	**73,774**	73,165
Cash and cash equivalents	17(b)	**17,980**	43,352
Total assets		**442,102**	485,267
EQUITY			
Ordinary share capital	15(a)	**1,000**	1,000
Capital reserve	15(b)	**28,078**	28,078
Retained earnings		**61,363**	85,973
Total equity		**90,441**	115,051
LIABILITIES			
Insurance liabilities	10	**350,348**	368,750
Current tax liability	12	**44**	202
Payables and other financial liabilities	13	**429**	429
Other liabilities	14	**840**	835
Total liabilities		**351,661**	370,216
Total equity and liabilities		**442,102**	485,267

The accounting policies on pages 14 to 19 and the notes on pages 24 to 39 form an integral part of these financial statements.

The financial statements on pages 14 to 39 were approved by the Board of Directors on 7 April 2020 and signed on its behalf by:

T J Latter
Director

Statement of cash flows
For the year ended 31 December 2019

	Note	**2019** **£000**	2018 £000
Cash flows from operating activities			
Cash (used in) / generated from operating activities	17(a)	**(427)**	1,125
Tax recovered / (paid)		**55**	(442)
Total net cash (used in) / generated from operating activities		**(372)**	683
Cash flows from financing activities			
Dividends paid to ordinary shareholders		**(25,000)**	-
Total net cash used in financing activities		**(25,000)**	-
Net (decrease) / increase in cash and cash equivalents		**(25,372)**	**683**
Cash and cash equivalents at 1 January		**43,352**	42,669
Cash and cash equivalents at 31 December	17(b)	**17,980**	43,352

The accounting policies on pages 14 to 19 and the notes on pages 24 to 39 form an integral part of these financial statements.

Notes to the financial statements

1. Exchange rates

Assets and liabilities have been translated at the following year end rates:

	2019	2018
Australian Dollar	**1.8846**	**1.8091**
Canadian Dollar	**1.7179**	**1.7395**
Euro	**1.1802**	**1.1141**
Japanese Yen	**143.9671**	**139.7323**
US Dollar	**1.3247**	**1.2736**

2. Net investment income

	2019 £000	2018 £000
Interest and dividend income		
Interest income including unrealised investment gains	**263**	1,098

3. Details of expenses

	2019 £000	2018 £000
Claims paid, net of reinsurance		
Claims paid to policyholders	**19,200**	16,591
Less: Claims recoveries from reinsurers	**(19,200)**	(16,591)
	-	-
Change in claims provisions, net of reinsurance		
Change in gross claims provisions	**(8,292)**	(25,973)
Change in reinsurance asset for claims provisions	**8,292**	25,973
	-	-
Fee and commission expense, net of reinsurance		
Commission expenses	**-**	27
Less: fee and commission expense ceded to reinsurers	**-**	(27)
	-	-
Other operating expenses		
Other operating expenses	**31**	35
	31	35
Total expenses	**31**	35

4. Employee information

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of Aviva Employment Services Limited.

Notes to the financial statements (continued)

5. Directors' remuneration

The directors were remunerated during the year for their roles as employees across the Group. They were not remunerated directly for their services as directors of this Company and no cost is borne by the Company for these services.

During the year, none of the directors exercised share options (2018: none) and three of the directors received shares under long term incentive schemes (2018: four) in relation to shares of the Company's ultimate parent, Aviva plc.

6. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, PricewaterhouseCoopers LLP and its associates, in respect of the audit of these financial statements, is shown below.

	2019 £000	2018 £000
Fees payable for the statutory audit of the Company's financial statements	**51**	49
Fees payable for audit-related assurance services	**7**	8
	58	57

Fees payable for audit-related assurance services are in relation to the audit of Employers Liability Register regulatory returns.

Audit fees are paid by Aviva Central Services UK Limited, a fellow Group subsidiary, and recharged as appropriate to the Company and fellow Group companies.

7. Tax

(a) Tax credited / (charged) to the income statement

(i) The total tax credited / (charged) comprises:

	2019 £000	2018 £000
Current tax		
For this year	**(44)**	(202)
Prior period adjustments	**202**	-
Total tax credited / (charged) to the income statement	**158**	(202)

(ii) There were no unrecognised tax losses and no temporary differences of previous years used to reduce the current tax expense in either 2019 or 2018.

(b) Tax reconciliation

The tax on the Company's profit before tax differs from (2018: is the same as) the theoretical amount that would arise using the tax rate of the United Kingdom as follows:

	Note	**2019 £000**	2018 £000
Profit before tax		**232**	1,063
Tax calculated at standard UK corporation tax rate of 19% (2018: 19%)		**(44)**	(202)
Adjustment to tax charge in respect of prior years		**202**	-
Tax credited / (charged) to the income statement	7(a)	**158**	(202)

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. In the Budget of 11 March 2020 the UK Government reversed this rate reduction, announcing that the UK corporation tax rate will remain at 19% from 1 April 2020.

As the Company has no deferred tax assets or liabilities, any future changes in tax rates have no impact on the net assets of the Company as at 31 December 2019.

Notes to the financial statements (continued)

8. Dividends

	2019 £000	2018 £000
Ordinary dividends declared and charged to equity in the current year and prior year:		
Interim dividend - £625 per share declared in April 2019	**25,000**	-
Total dividends for the year	**25,000**	-

9. Receivables

	Note	2019 £000	2018 £000
Amounts due from reinsurers		**12,544**	11,995
Amounts due from parent	20(b)	**61,224**	61,093
Amounts due from other Group companies	20(b)	**-**	55
Other receivables		**6**	22
Total as at 31 December		**73,774**	73,165
Expected to be recovered in less than one year		**61,230**	61,115
Expected to be recovered in more than one year		**12,544**	12,050
Total as at 31 December		**73,774**	73,165

As set out in accounting policy A, the Company has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance. To facilitate comparison with entities applying IFRS 9 in full, the table below analyses the Company's financial instruments as at the reporting date between those which are considered to have contractual terms which are solely payments of principal and interest (SPPI) on the principal amount outstanding (excluding instruments held for trading or managed and evaluated on a fair value basis), and all other instruments not falling into this category.

Instruments that do not meet the SPPI criteria include financial assets that meet the definition of held for trading, financial assets that are managed and evaluated on a fair value basis, and instruments with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

		2019		2018
	SPPI - Fair value £000	**Non-SPPI - Fair value £000**	SPPI - Fair value £000	Non-SPPI - Fair value £000
Receivables	**73,774**	**-**	73,165	-
Cash and cash equivalents	**8,680**	**9,300**	9,152	34,200
Total	**82,454**	**9,300**	82,317	34,200

The fair value of receivables and cash and cash equivalents is approximate to their carrying amounts. During 2019 there has been a £137 thousand increase in the fair value of SPPI instruments.

Notes to the financial statements (continued)

10. Insurance liabilities

(a) Carrying amounts

(i) Insurance liabilities (gross of reinsurance) at 31 December comprised:

	2019 £000	2018 £000
Outstanding claims provisions	**200,148**	219,863
Provision for claims incurred but not reported	**150,200**	148,887
Total	**350,348**	368,750

(b) General insurance liabilities

(i) Provisions for outstanding claims
Delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the statement of financial position date. The reserves are based on information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Provisions for outstanding claims are established to cover the outstanding expected ultimate liability for losses and loss adjustment expenses ("LAE") in respect of all claims that have already occurred. The provisions established cover reported claims and associated LAE, as well as claims incurred but not yet reported and associated LAE.

(ii) Discounting
Outstanding claims provisions are based on undiscounted estimates of future claims payments, except for the following class of business for which discounted provisions are held:

	Discount rate		Mean term of liabilities	
	2019	2018	**2019**	2018
Latent claims (£)	**0.80% to 1.13%**	1.08% to 1.57%	**10.0 years**	10.3 years
Latent claims (US$)	**1.69% to 2.13%**	2.58% to 2.88%	**10.6 years**	10.9 years

The gross outstanding claims provisions before discounting are £394,648 thousand (2018: £435,850 thousand). The period of time which will elapse before the liabilities are settled has been estimated by modelling the settlement patterns of the underlying claims.

(c) Discount rate

The discount rate that has been applied to latent claims reserves is based on the relevant swap rate, in the relevant currency, having regard to the expected settlement dates of the claims. The range of discount rates used depends on the duration of the claims and is given in the table in section (b). The duration of the claims spans 48 years. Any change in discount rates between the start and the end of the accounting year is reflected as an economic assumption change.

(d) Assumptions

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims, taking into account all available information and correspondence regarding the circumstances of the claim, such as medical reports, investigations and inspections. Claims technicians set case estimates according to documented claims department policies and specialise in setting estimates for certain lines of business or types of claim. Claims above certain limits are referred to senior claims handlers for authorisation.

No adjustments are made to the claims technicians' case estimates included in booked claim provisions, except for rare occasions when the estimated ultimate cost of individual large or unusual claims may be adjusted, subject to internal Reserve and Projections Committee approval, to allow for uncertainty regarding, for example, the outcome of a court case.

Notes to the financial statements (continued)

10. Insurance liabilities (continued)

(d) Assumptions (continued)

The ultimate cost of outstanding claims is then estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate.

Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by claims type or type of coverage. In addition, large claims are usually separately assessed, either by being reserved at the face value of loss adjuster estimates, or separately projected in order to reflect their future development.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at the estimated ultimate cost of claims that represents the most likely outcome, from the range of possible outcomes, taking account of all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a reserve range. The following explicit assumptions are made which could materially impact the level of booked net reserves:

UK mesothelioma claims

The level of uncertainty associated with latent claims is considerable due to the relatively small number of claims and the long-tail nature of the liabilities. UK mesothelioma claims account for a large proportion of the Company's latent claims. The key assumptions underlying the estimation of these claims include claim numbers, the base average cost per claim, future inflation in the average cost of claims and legal fees.

The best estimate of the liabilities reflects the latest available market information and studies. Many different scenarios can be derived by flexing these key assumptions and applying different combinations of the different assumptions. These scenarios do not, however, constitute an upper or lower bound on these liabilities.

(e) Movements

The following changes have occurred in the outstanding claims provisions during the year:

	2019	2018
	£000	£000
Carrying amount at 1 January	**368,750**	384,996
Impact of changes in discount rate assumptions	**15,000**	(6,200)
Claims losses and expenses incurred in prior years	**(4,092)**	(3,182)
Incurred claims losses and expenses	**10,908**	(9,382)
Less:		
Payments made on claims incurred in prior years	**(19,200)**	(16,591)
Payments made in the year	**(19,200)**	(16,591)
Unwind of discount	**1,500**	1,200
Changes in claims reserve recognised as expense	**(6,792)**	(24,773)
Foreign exchange rate movements	**(11,610)**	8,527
Carrying amount at 31 December	**350,348**	368,750

Notes to the financial statements (continued)

10. Insurance liabilities (continued)

(f) Loss development tables

The Company ceased to write business in the London Market in 1995.

	Gross 2009 and prior years £000	Net of reinsurance 2009 and prior years £000
Outstanding claims provisions (undiscounted)	**394,648**	**-**
Effect of discounting	**(44,300)**	**-**
Present value recognised in the statement of financial position	**350,348**	**-**

The table above includes information on asbestos, environmental pollution and health hazard claims provisions. The total gross claims provisions in respect of this business are £278,400 thousand at 31 December 2019 (2018: £303,100 thousand). The net claims provisions in this respect are £nil (2018: £nil).

11. Reinsurance assets

(a) Carrying amounts

	2019 Gross insurance liabilities £000	**2019** Reinsurance assets £000	**2019** Net insurance liabilities £000	2018 Gross insurance liabilities £000	2018 Reinsurance assets £000	2018 Net insurance liabilities £000
Outstanding claims provisions	**200,148**	**200,148**	**-**	219,863	219,863	-
Provisions for claims incurred but not reported	**150,200**	**150,200**	**-**	148,887	148,887	-
Total	**350,348**	**350,348**	**-**	368,750	368,750	-

Of the above total, £310,613 thousand (2018: £324,229 thousand) of the reinsurance assets is expected to be recovered in more than one year after the statement of financial position date.

The reinsurers' share of outstanding claims provisions and provisions for claims incurred but not reported is reduced by £44,300 thousand (2018: £67,100 thousand) as a result of the discounting of latent claims.

In 2000 all the Company's business was reinsured with the National Indemnity Company.

The Company has an Adverse Reserve Deterioration ("ARD") agreement with its parent company, Aviva Insurance Limited. This agreement provides an extra £1 billion of reinsurance cover to protect against circumstances in which the reinsurance with National Indemnity Company is exhausted or otherwise fails to satisfy claims.

(b) Assumptions

The assumptions, including discount rates, used for reinsurance contracts follow those used for insurance contracts shown in notes 10(c) and 10(d).

Reinsurance assets are valued net of any provisions for their recoverability.

Notes to the financial statements (continued)

11. Reinsurance assets (continued)

(c) Movements

Reinsurers' share of claims as at and for the year ended 31 December:

	2019 £000	2018 £000
Carrying amount at 1 January	**368,750**	384,996
Impact of changes in discount rate assumptions	**15,000**	(6,200)
Reinsurers' share of claims losses and expenses incurred in prior years	**(4,092)**	(3,182)
Reinsurers' share of incurred claims losses and expenses	**10,908**	(9,382)
Less:		
Reinsurance recoveries received on claims incurred in prior years	**(19,200)**	(16,591)
Reinsurance recoveries received in the year	**(19,200)**	(16,591)
Unwind of discount	**1,500**	1,200
Changes in reinsurance asset recognised as income	**(6,792)**	(24,773)
Foreign exchange rate movements	**(11,610)**	8,527
Carrying amount at 31 December	**350,348**	368,750

12. Tax assets and liabilities

(a) Current tax

Current tax liabilities expected to be settled in more than one year are £44 thousand (2018: £202 thousand).

(b) Deferred taxes

There are no provided or unprovided deferred tax assets and liabilities at the year end (2018: £nil).

13. Payables and other financial liabilities

	2019 £000	2018 £000
Other financial liabilities	**429**	429
Expected to be settled in less than one year	**429**	429
Expected to be settled in more than one year	**-**	-
Total as at 31 December	**429**	429

14. Other liabilities

	2019 £000	2018 £000
Other liabilities	**840**	835
Expected to be settled in less than one year	**64**	38
Expected to be settled in more than one year	**776**	797
Total as at 31 December	**840**	835

Notes to the financial statements (continued)

15. Ordinary share capital and capital reserve

(a) Ordinary share capital

Details of the Company's ordinary share capital are as follows:

	2019 £000	2018 £000
Allotted, called up and fully paid		
40,000 (2018: 40,000) Ordinary shares of £25 each	**1,000**	1,000

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

(b) Capital reserve

Details of the Company's capital reserve are as follows:

	2019 £000	2018 £000
Capital reserve	**28,078**	28,078

The capital reserve arose as a result of an insurance business transfer in June 2011. This reserve is distributable.

16. Contingent liabilities and other risk factors

(a) Uncertainty over claims provisions

Note 10(d) gives details of the estimation techniques used in determining the general insurance business outstanding claims provisions.

These approaches are designed to allow for a degree of prudence, to give a result within the normal range of outcomes. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future general insurance business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

(b) Regulatory compliance

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) regulate and authorise the Company's UK business and in addition monitor the financial resources and organisation of the Company as a whole. The PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources. The Company's regulators outside the UK typically have similar powers, but in some cases they also operate a system of 'prior product approval'.

The directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that the regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

The impact of any such finding could have a negative impact on the Company's reported results or on its relations with current or potential customers. Regulatory action against the Company could result in adverse publicity for, or negative perceptions regarding, the Company, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

Notes to the financial statements (continued)

16. Contingent liabilities and other risk factors (continued)

(c) Other

In the course of conducting insurance and investment business, the Company receives liability claims, and becomes involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

The Company pays contributions to levy schemes in several countries in which it operates. Given the economic environment, there is a heightened risk that the levy contributions will need to be increased to protect policyholders if an insurance company falls into financial difficulties. The directors continue to monitor the situation but are not aware of any need to increase provisions at the statement of financial position date.

17. Statement of cash flows

(a) The reconciliation of profit before tax to the net cash flow from operating activities is:

	2019 £000	2018 £000
Profit before tax	**232**	1,063
Adjustments for:		
Change in economic assumptions on non-claims	**(549)**	(525)
	(549)	(525)
Changes in working capital:		
Decrease in reinsurance assets	**23,292**	19,773
Decrease in insurance liabilities	**(23,292)**	(19,773)
(Increase) / decrease in other assets and liabilities	**(110)**	587
	(110)	587
Total cash (used in) / generated from operating activities	**(427)**	1,125

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:

	2019 £000	2018 £000
Cash at bank and in hand	**8,680**	9,152
Cash equivalents	**9,300**	34,200
Cash and cash equivalents	**17,980**	43,352

Notes to the financial statements (continued)

18. Capital structure

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business. This note describes the way the Company manages capital and shows how this is structured.

(a) General

IFRS underpins the Company's capital structure and accordingly the capital structure is analysed on this basis. The Company measures its capital requirements under the Solvency II regime.

(b) Capital management

In managing its capital, the Company seeks to:

(i) match the profile of its assets and liabilities, taking account of the risks inherent in the business;
(ii) maintain financial strength and satisfy the requirements of its policyholders and regulators;
(iii) retain financial flexibility by maintaining strong liquidity; and
(iv) allocate capital efficiently and repatriate excess capital where appropriate.

The Company considers not only traditional sources of capital funding but alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital.

(c) Different measures of capital

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

(i) Accounting basis
The Company is required to report its results on an IFRS basis.

(ii) Regulatory basis
Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the PRA regulatory requirements under Solvency II. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 19) gives further details.

Solvency II "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. At 31 December 2019 the Company's estimated own funds under Solvency II were £90,021 thousand (2018: £114,631 thousand). The Company's own funds are sufficient to meets its capital requirements under Solvency II. The Company fully complied with the relevant regulatory requirements during the year.

(d) Company capital structure

	2019 **£000**	2018 £000
Equity shareholders' funds	**90,441**	115,051
Total capital	**90,441**	115,051

Notes to the financial statements (continued)

19. Risk management

Risk management framework

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Aviva Group's risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report ("IMMMR") risks, including the use of risk models and stress and scenario testing.

For the purposes of risk identification and measurement, risks are usually grouped by risk type: credit, market, liquidity, general insurance and operational risk. Risks falling within these types may affect a number of metrics including those relating to statement of financial position strength, liquidity and profit. They may also affect the performance of the products the Company delivers to customers and the service to customers and distributors, which can be categorised as risks to brand and reputation or as conduct risk.

To promote a consistent and rigorous approach to risk management across the business, the Company adopts the Group risk policies and business standards, which set out the risk strategy, appetite, framework and minimum requirements for the Company's operations. The parent company Chief Executive Officer makes an annual declaration that the system of governance and internal controls were effective and fit for purpose for the business throughout the year; this declaration is supported by an opinion from the parent company Chief Risk Officer.

A regular top-down key risk identification and assessment process is carried out in the Risk Function. This includes the consideration of emerging risks and is supported by deeper thematic reviews. The Company also operates a risk and control self-assessment process. The risk assessment processes are used to generate risk reports which are submitted to the Board.

Risk models are an important tool in the measurement of risks and are used in conjunction with other assessment processes to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. The Company carries out a range of stress (where one risk factor, such as interest rates, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital, being the Company's principal risk types except for liquidity risks, the Company measures and monitors its risk profile on the basis of the Solvency II Solvency Capital Requirement ("SCR").

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels. Line management in the business are accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The Risk Function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the risk management framework and internal control processes.

Board oversight of risk and risk management across the Company is maintained on a regular basis. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Risk appetites are set relative to capital and liquidity.

The Company's position against risk appetite is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity.

Further information on the types and management of specific risk types is given in sections (a) to (f) below.

(a) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise through exposures to reinsurance counterparties, cash and cash equivalents, and other receivables.

Notes to the financial statements (continued)

19. Risk management (continued)

(a) Credit risk (continued)

The Company's management of credit risk includes implementation of credit risk management processes (including limits frameworks), the operation of specific risk management committees, and detailed reporting and monitoring of exposures against pre-established risk management criteria.

Oversight of credit risk for the Company is undertaken by the Board.

(i) Financial exposures by credit ratings

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade.

The table below provides information regarding the aggregated credit risk exposure of the Company, excluding intra-group transactions and cash and cash equivalents. Cash and cash equivalents are held with highly-rated banking institutions or liquidity funds. "Not rated" assets capture assets not rated by external ratings agencies.

As at 31 December 2019	**AAA £000**	**AA £000**	**A £000**	**BBB £000**	**Below BBB £000**	**Not rated £000**	**Carrying value £000**
Reinsurance assets	**-**	**350,348**	**-**	**-**	**-**	**-**	**350,348**
Amounts due from reinsurers	**-**	**12,544**	**-**	**-**	**-**	**-**	**12,544**
Total	**-**	**362,892**	**-**	**-**	**-**	**-**	**362,892**

As at 31 December 2018	AAA £000	AA £000	A £000	BBB £000	Below BBB £000	Not rated £000	Carrying value £000
Reinsurance assets	-	368,750	-	-	-	-	368,750
Amounts due from reinsurers	-	11,995	-	-	-	-	11,995
Total	**-**	**380,745**	**-**	**-**	**-**	**-**	**380,745**

The table below provides information regarding the aggregated credit risk exposure of the Company's financial assets that are considered to have contractual terms which are solely payments of principal and interest (SPPI), excluding amounts due from reinsurers, which are included above, and cash and cash equivalents.

As at 31 December 2019	**AAA £000**	**AA £000**	**A £000**	**BBB £000**	**Below BBB £000**	**Not-rated £000**	**Carrying value £000**
Receivables	**-**	**73,774**	**-**	**-**	**-**	**-**	**73,774**
Total	**-**	**73,774**	**-**	**-**	**-**	**-**	**73,774**

As at 31 December 2018	AAA £000	AA £000	A £000	BBB £000	Below BBB £000	Not-rated £000	Carrying value £000
Receivables	-	73,165	-	-	-	-	73,165
Total	-	73,165	-	-	-	-	73,165

The Company's maximum exposure to credit risk of financial assets is represented by the carrying value of the financial instruments in the statement of financial position. These comprise reinsurance assets and receivables. The carrying values of these assets are disclosed in the relevant notes: reinsurance assets (note 11) and receivables (note 9).

Of the Company's receivables of £73,774 thousand (2018: £73,165 thousand), £61,224 thousand (2018: £61,148 thousand) is due from other Group companies and details are set out in note 20.

Notes to the financial statements (continued)

19. Risk management (continued)

(a) Credit risk (continued)

(ii) Credit concentration risk
The Company has a significant exposure to the National Indemnity Company amounting to £362,892 thousand (2018: £380,745 thousand) in respect of reinsurance arrangements.

(iii) Impairment of financial assets
At 31 December 2019 and 31 December 2018, no financial assets are impaired or overdue.

(b) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, inflation, foreign currency exchange rates and equity and property prices. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held. The Company seeks some market risk as part of its investment strategy. However, it has limited appetite for interest rate risk because it does not believe interest rate risk is adequately rewarded.

The Company manages market risk using its parent company market risk framework and within regulatory constraints. Market risk is managed in line with established Group policy, including established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

The Company has assets and claims liabilities in foreign currency, principally United States dollars, and so has exposure to foreign exchange rates. However, there is no material net exposure to exchange rate fluctuations due to the reinsurance that has been put in place.

Oversight of market risk for the Company is undertaken by the Board.

(c) Liquidity risk

Liquidity risk is the risk of the Company not being able to make payments as they become due because there are insufficient liquid assets.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and business standard. The Company monitors its position relative to its agreed liquidity risk appetite.

Maturity analysis

The following tables show the maturities of the Company's insurance liabilities, payables and other financial liabilities and of the financial assets and reinsurance assets held to meet them.

(i) Analysis of maturity of financial liabilities and insurance contract liabilities
The following table shows the Company's financial liabilities and insurance contract liabilities analysed by duration:

As at 31 December 2019	On demand or within 1 year £000	1 to 5 years £000	5 to 15 years £000	Over 15 years £000	No fixed term £000	Total £000
Insurance liabilities	**39,735**	**120,274**	**127,228**	**63,111**	**-**	**350,348**
Payables and other financial liabilities	**429**	**-**	**-**	**-**	**-**	**429**
	40,164	**120,274**	**127,228**	**63,111**	**-**	**350,777**

As at 31 December 2018	On demand or within 1 year £000	1 to 5 years £000	5 to 15 years £000	Over 15 years £000	No fixed term £000	Total £000
Insurance liabilities	44,521	131,859	132,510	59,860	-	368,750
Payables and other financial liabilities	429	-	-	-	-	429
	44,950	131,859	132,510	59,860	-	369,179

Notes to the financial statements (continued)

19. Risk management (continued)

(c) Liquidity risk (continued)

(ii) Analysis of maturity of financial assets and reinsurance assets
The table below provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. The table also includes the maturity of deposits received from reinsurers that represent the reinsurers' interest in the Company's financial assets / reinsurance assets (excluding reinsurers' share of provision for unearned premium).

As at 31 December 2019	**On demand or within 1 year £000**	**1 to 5 years £000**	**5 to 15 years £000**	**Over 15 years £000**	**No fixed term £000**	**Total £000**
Reinsurance assets	**39,735**	**120,274**	**127,228**	**63,111**	**-**	**350,348**
Receivables	**61,230**	**12,544**	**-**	**-**	**-**	**73,774**
Cash and cash equivalents	**17,980**	**-**	**-**	**-**	**-**	**17,980**
	118,945	**132,818**	**127,228**	**63,111**	**-**	**442,102**

As at 31 December 2018	**On demand or within 1 year £000**	**1 to 5 years £000**	**5 to 15 years £000**	**Over 15 years £000**	**No fixed term £000**	**Total £000**
Reinsurance assets	44,521	131,859	132,510	59,860	-	368,750
Receivables	61,170	11,995	-	-	-	73,165
Cash and cash equivalents	43,352	-	-	-	-	43,352
	149,043	143,854	132,510	59,860	-	485,267

The reinsurance assets above are analysed using the estimated timing of future cash flows. The other assets are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company.

Oversight of liquidity risk for the Company is undertaken by the Board.

(d) General insurance risk

The Company is not currently seeking or accepting new business and considers insurance risk within its general insurance activity to be the management of claims and the adequacy of reserving.

All business is reinsured as the Company is party to a reinsurance agreement entered into with National Indemnity Company in 2000, which provides substantial protection in excess of current gross liabilities.

The Company has an ARD agreement with its parent company, Aviva Insurance Limited. This agreement provides an extra £1 billion of reinsurance cover to protect against circumstances in which the reinsurance with National Indemnity Company is exhausted or otherwise fails to satisfy claims.

The adequacy of the Company's general insurance gross and net claims provisions is overseen by the Reserve & Projections Committee. Actuarial claims reserving is the responsibility of the Company's actuaries, although draws heavily on the gross reserving work carried out by Resolute Management.

Oversight of insurance risks for the Company is undertaken by the Board.

Notes to the financial statements (continued)

19. Risk management (continued)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. The Company has limited appetite for operational risk and aims to reduce these risks as far as is commercially sensible.

The Company has adopted the Group's Operational Risk and Control Management Framework which integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are initially identified and assessed against implemented controls. Residual risk outside tolerance is given prioritised management action to reduce it within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

Oversight of operational risk for the Company is undertaken by the Board.

(f) Risk and capital management

The Company uses a number of risk management tools to understand the volatility of its capital requirements, and to manage its capital efficiently.

Risk-based capital models are used to support the quantification of risk under the Solvency II framework. Management undertakes a regular review of risks, the output from which is a key input into the risk-based capital assessments. Primarily, a risk-based capital model and scenario tests are used. Sensitivities to economic and operating experience are regularly produced on financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

General insurance claims liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. As such, the sensitivity of general insurance claims liabilities is primarily based on the financial impact of changes to the reported loss ratio.

(g) Coronavirus

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial markets.

As an insurer the Company is impacted by the COVID-19 pandemic through its general insurance products and the impact on investment returns. The Company's balance sheet exposure has been reviewed, the company continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Notwithstanding the Company's strong capital and liquidity position, deterioration in the situation could have further adverse implications arising from the impacts on financial markets, insurance exposures and operations. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at this stage.

Notes to the financial statements (continued)

20. Related party transactions

The Company has the following transactions with related parties which include parent companies and fellow subsidiaries in the normal course of business.

(a) Adverse reserve deterioration agreement

The Company has an ARD agreement with its parent company, Aviva Insurance Limited. This agreement provides an extra £1 billion of reinsurance cover to protect against circumstances in which the reinsurance with National Indemnity Company is exhausted or otherwise fails to satisfy claims.

(b) Other transactions

Services provided to, and by related parties

	2019				2018			
	Income earned in the year £000	**Expenses incurred in the year £000**	**Payable at year end £000**	**Receivable at year end £000**	Income earned in the year £000	Expenses incurred in the year £000	Payable at year end £000	Receivable at year end £000
Parent	**-**	**-**	**-**	**61,224**	-	-	-	61,093
Fellow subsidiaries	**-**	**-**	**429**	**-**	-	-	429	55
	-	**-**	**429**	**61,224**	-	-	429	61,148

(c) Key management compensation

The key management of the Company are considered to be the statutory directors of the Company. Note 5, Directors' remuneration, gives details of their compensation as directors of the Company.

(d) Immediate parent company

The Company's immediate parent Company is Aviva Insurance Limited, registered in Scotland.

(e) Ultimate controlling entity

The ultimate controlling entity, and parent of the largest and smallest group which consolidates the results of the Company, is Aviva plc. Its Group financial statements are available on application to the Group Company Secretary, Aviva plc., St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Aviva plc website at www.aviva.com.

21. Events after the statement of financial position date

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial markets.

As an insurer the Company is impacted by the COVID-19 pandemic through its general insurance products and the impact on investment returns. The Company’s balance sheet exposure has been reviewed, the company continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Notwithstanding the Company’s strong capital and liquidity position, deterioration in the situation could have further adverse implications arising from the impacts on financial markets, insurance exposures and operations. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at this stage.