CHUBB CAPITAL V LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2017

COMPANY REGISTRATION NUMBER: 2949447

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Chubb Capital V Limited (the "Company"), has prepared this report in accordance with Section 414A of the Companies Act 2006.

RESULTS AND PERFORMANCE

A summary of the reported financial results is shown in the following table.

£'000	2017	2016
Gross written premiums	-	-
Net written premiums	-	1,215
Net earned premiums	-	10,616
Net claims release	-	21,005
Operating expenses	-	(1,913)
Underwriting result	**-**	**29,708**
Investment return	-	9,799
Other (charges) / income	(4,016)	10,194
(Loss) / profit on ordinary activities before taxation	**(4,016)**	**49,701**

Of the loss on ordinary activities before taxation for the year ended 31 December 2017 of £4,016,000 (2016: profit of £49,701,000), £nil (2016: £41,155,000) relates to Syndicate 2488. The performance of Syndicate 2488 is discussed in the Managing Agent's Report contained within Syndicate 2488's Report and Annual Accounts as at 31 December 2017, available on the Lloyd's website.

KEY PERFORMANCE INDICATORS (KPIs)

The Company's KPIs are derived from the performance of Syndicate 2488 and are not managed separately. Following the transfer of the Company's underwriting capacity to Chubb Capital I Limited, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the business.

RISK DISCLOSURES AND CAPITAL MANAGEMENT

Disclosures regarding risks and capital management are provided in Note 3 to the financial statements.

Approved by the board of directors on 22 August 2018 and signed on its behalf by:

A C Mullins
Director
22 August 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are pleased to submit their report and the audited financial statements for the year to 31 December 2017.

It should be noted that the Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102") and Financial Reporting Standard 103 'Insurance Contracts' ("FRS 103"), being applicable United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company participated exclusively on Syndicate 2488 which is managed by Chubb Underwriting Agencies Limited, a fellow subsidiary undertaking of Chubb Market Company Limited (formerly ACE Global Markets Limited). The Company's last underwriting year of account was 2014, after which the Company's underwriting capacity was sold to Chubb Capital I Limited. The Company does not expect to resume underwriting in the foreseeable future.

RESULTS AND DIVIDENDS

The loss on ordinary activities before taxation for the year to 31 December 2017 before taxation amounted to £4,016,000 (2016: profit before taxation £49,701,000) and the shareholders' funds of the Company total £131,002,000 (2016: £156,450,000). The interim dividends during the year amounted to £21,809,000 (2016: £10,028,000). The directors do not recommend the payment of a final dividend (2016: £Nil).

DIRECTORS

The following have been directors from 1 January 2017 to the date of this report unless otherwise indicated:

M K Hammond
A J Kendrick
A C Mullins

Qualifying third-party indemnity provisions (as defined by Section 234 of the Companies Act 2006) are in place for the benefit of the directors and, at the date of this report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

The Company also has the benefit of a group insurance company management activities policy affected by Chubb Limited. No charge was made to the Company during the year for this policy.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 – continued

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of this report confirms that:

i) So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2017 of which the auditors are unaware; and

ii) The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The Company's independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office in accordance with Section 487 of the Companies Act 2006.

By Order of the Board

A E Amana

for and on behalf of
Chubb London Services Limited
Secretary, 22 *August 2018*

100 Leadenhall Street
London
EC3A 3BP

Independent auditors' report to the members of Chubb Capital V Limited

Report on the audit of the financial statements

Opinion

In our opinion, Chubb Capital V Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise: the statement of financial position as at 31 December 2017; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 when:

- 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.

Independent auditors' report to the members of Chubb Capital V Limited - continued

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 2017 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, 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.

James Pearson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 August 2018

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
EARNED PREMIUMS, NET OF REINSURANCE:			
Gross premiums written	4	-	-
Outward reinsurance premiums		-	1,215
Net premiums written		-	1,215
Change in the provision for unearned premiums		-	10,537
Change in the provision for unearned premiums – reinsurers' share		-	(1,136)
EARNED PREMIUMS, NET OF REINSURANCE		-	10,616
ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT	6	-	9,297
CLAIMS INCURRED, NET OF REINSURANCE:			
Claims paid:			
Gross amount	4	-	(61,122)
Reinsurers' share		-	11,443
Net paid claims		-	(49,679)
Change in the provision for claims outstanding:			
Gross amount	4	-	96,729
Reinsurers' share		-	(26,045)
Change in the net provision for claims outstanding		-	70,684
CLAIMS INCURRED, NET OF REINSURANCE		-	21,005
Net operating expenses	7	-	(1,913)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		-	39,005

All of the above results derive from continuing operations.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	2017 £'000	2016 £'000
NON-TECHNICAL ACCOUNT			
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		-	39,005
Investment income	9	-	8,181
Unrealised gains on investments	9	-	16,757
Investment expenses and charges	9	-	(1,982)
Unrealised losses on investments	9	-	(13,157)
Allocated investment return transferred to the general business technical account	6	-	(9,297)
Other charges including value adjustments	10	(11)	(11)
(Loss) / profit on exchange		(4,005)	10,205
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,016)	49,701
Tax on (loss) / profit on ordinary activities	11	369	(9,667)
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		(3,647)	40,034

All of the above results derive from continuing operations.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £'000	2016 £'000
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	(3,647)	40,034
Currency translation differences	-	(10,475)
Movement on tax relating to currency translation differences	-	2,423
TOTAL COMPREHENSIVE (CHARGE) / INCOME FOR THE YEAR	(3,647)	31,982

BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 (restated) £'000
ASSETS			
INVESTMENTS			
Other financial investments	12	-	252,444
		-	252,444
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums		-	1,599
Claims outstanding		-	99,437
		-	101,036
DEBTORS- amounts falling due within one year			
Debtors arising out of reinsurance operations		-	7,869
Other debtors	13	136,230	126,447
		136,230	134,316
OTHER ASSETS			
Cash at bank and in hand		-	37,390
PREPAYMENTS AND ACCRUED INCOME			
Deferred acquisition costs		-	2,412
Other prepayments and accrued income		-	93
		-	2,505
TOTAL ASSETS		136,230	527,691

BALANCE SHEET AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	2017 £'000	2016 (restated) £'000
LIABILITIES			
CAPITAL AND RESERVES			
Called-up share capital	14	4,284	4,284
Share premium account		38,552	38,552
Profit and loss account		88,166	113,622
TOTAL SHAREHOLDERS' FUNDS		131,002	156,458
TECHNICAL PROVISIONS			
Provision for unearned premiums		-	4,847
Claims outstanding		-	297,031
		-	301,878
DEPOSITS RECEIVED FROM REINSURERS		-	24
CREDITORS- amounts falling due within one year			
Creditors arising out of reinsurance operations		-	8,333
Bank loans and overdrafts		-	36,121
Other creditors including taxation and social security	15	-	16,384
		-	60,838
ACCRUALS AND DEFERRED INCOME		-	436
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	16	5,228	8,057
TOTAL LIABILITIES		136,230	527,691

The notes on pages 11 to 23 are an integral part of these financial statements.

The financial statements on pages 6 to 23 were approved by the board of directors on 22 August 2018 and were signed on its behalf by:

M K Hammond
Director
22 August 2018

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called-up share capital	Share Premium	Profit and loss account	Total Shareholders' Funds
	£'000	£'000	£'000	£'000
At 1 January 2016	**4,284**	**38,552**	**91,668**	**134,504**
Profit for the financial year	-	-	40,034	40,034
Currency translation differences net of deferred tax thereon	-	-	(8,052)	(8,052)
Dividends paid	-	-	(10,028)	(10,028)
At 31 December 2016	**4,284**	**38,522**	**113,622**	**156,458**
Profit for the financial year	-	-	(3,647)	(3,647)
Currency translation differences net of deferred tax thereon	-	-	-	-
Dividends paid	-	-	(21,809)	(21,809)
At 31 December 2017	**4,284**	**38,522**	**88,166**	**131,002**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Chubb Capital V Limited is a limited liability company incorporated in the United Kingdom. The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006, Financial Reporting Standard FRS 102 ("The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102")) and Financial Reporting Standard FRS 103, "Insurance Contracts" ("FRS 103").

The Company is a wholly owned subsidiary within the Chubb Limited group and is included in the consolidated financial statements of Chubb Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement and disclosing details of key management personnel and related party transactions under the terms of FRS102.

Prior year restatement

Some of the prior year amounts within these financial statements have been restated to ensure consistency with current year presentation. The restatements do not change the values reported in the current or prior year for shareholders' funds or the profit for the financial year. Where amounts have been restated that is indicated in the note that includes those amounts.

The main restatements relate to reclassifications of gross and reinsurance commissions within the balance sheet, a correction to the value of prior year reserve releases and the reclassification of debtor balances.

2. ACCOUNTING POLICIES

Underwriting business

Preparing financial statements in accordance with Schedule 3 to the Regulations has required the Company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicate in which it participates ("the syndicate") during the calendar year. Similarly, its proportion of the syndicate's assets and liabilities has been reflected in its balance sheet. The proportion referred to above is calculated by reference to the Company's participation as a percentage of the syndicate's total capacity.

Premiums written

Premiums written, which are stated gross of brokerage but exclusive of premium taxes, relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Estimates are made of pipeline premiums, representing amounts due but not yet received or notified to the Company by intermediaries.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established risk profiles or time apportionment as appropriate.

Acquisition costs

Acquisition costs comprise brokerage, commissions and other related costs, and are deferred over the period in which the related premiums are earned.

Claims incurred

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect expenses and adjustments to claims outstanding from previous years. Where applicable, deductions are made for reinsurance, salvage and other recoveries.

Provision for claims outstanding and related reinsurance recoveries

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs and deduction for expected salvage and other recoveries. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES - continued

The reinsurers' share of the provision for claims outstanding is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards the provision for claims outstanding are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provision for gross claims outstanding and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior periods are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

When calculating the provision for claims outstanding, the reported business segments are subject to specific issues, as set out below:

Fire and other damage to property; marine, aviation and transport; accident and health

These business segments are predominantly "short tail"; that is there is not a significant delay between the occurrence of the claim and the claim being reported to the Company. The costs of claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Third party liability (including marine and aviation liability)

Liability claims are longer tail than the classes of business described above and so a larger element of the provision for claims outstanding relates to IBNR. Claims estimates for the Company's liability business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date.

Reinsurance acceptances

This business segment includes both short tail and longer tail business, and is subject to the issues laid out in the preceding two sections.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES -continued

Syndicate investment income, expenses and charges

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years proportionately to the funds contributed by the year.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. FRS102 requires that, for insurance entities, both realised investment gains and losses be included as part of investment return in the profit and loss account. Dividends receivable are accounted for by reference to the date on which the price of the investment is quoted ex-dividend. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at bid value are calculated as the difference between net sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have previously been revalued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. All syndicate investment gains and losses including those that are unrealised are attributed to the technical account.

Investments

Investments in marketable securities are stated at bid value on the balance sheet date. For quoted investments where there is an active market, this is their quoted bid price at the balance sheet date. For quoted investments where there is no active market, the bid value is determined by reference to prices for similar assets in active markets.

Overseas deposits are stated at cost or market value, as notified by Lloyd's.

Taxation

UK taxation in the profit and loss account is based on the underwriting result and other income and charges of the year as determined in accordance with the relevant tax legislation, together with adjustments for prior periods.

Deferred tax

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in future, or a right to pay less tax in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Insurance and other debtors

Insurance and other receivables are recognised at fair value less any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the Company will not be able to collect the amounts receivable according to the original terms of the receivable.

Insurance and other creditors

Payables arising from insurance contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES – continued

Foreign currency transactions

Foreign currency transactions are accounted for, in functional currency, at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, from translating such transactions into the functional currency of the syndicate, and from the revaluation to year end exchange rates of monetary assets and liabilities, are recognised in the profit and loss account.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Results recorded in their functional currency, are translated into sterling at average rates of exchange for the year while assets and liabilities are translated to sterling at year end exchange rates. Differences arising on translation are recorded in the statement of comprehensive income.

Dividends

Dividends are recognised when they are approved by the Board of Directors.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Following the capacity transfer to Chubb Capital I Limited in 2015, the Company no longer has any exposure to insurance liabilities as at 31 December 2017. Consequently, there are no capital requirements or capital management objectives for the Company to manage.

The Company still has an exposure to credit risk due to its debtor balances. These debtors are largely intercompany debtors within the Chubb Group, which has an A++ Credit Rating from AM Best. The credit risk is therefore considered to be immaterial.

Many of these balances are denominated in USD. The accounting policy for foreign currencies is stated in note 2 to the financial statements. Balance sheet components (monetary assets and liabilities) are translated to sterling using the rates of exchange at year end. No profit and loss transactions in 2017 were denominated in foreign currency.

For the monetary components of the balance sheet, the year end rates used to convert US dollar to sterling has increased 5% to US$1.334/£1 (2016: US$1.266/£1). Assuming sterling had strengthened by a further 10% against US dollar and all other variables remained constant, the effect of translating year end net assets based on these parameters would have resulted in increased Shareholders' funds of £8.0 million, which would have appeared as a gain in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENTAL ANALYSIS

Segmental information in the format required by Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations is as follows:

	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Year to 31 December 2017					
Direct insurance					
Fire and other damage to property	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-
Accident and health	-	-	-	-	-
Third party liability	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Reinsurance acceptances	-	-	-	-	-
TOTAL	-	-	-	-	-
Year to 31 December 2016					
Direct insurance					
Fire and other damage to property	-	4,028	14,385	(1,191)	(765)
Marine, aviation and transport	-	1,152	(6,874)	(228)	(2,463)
Accident and health	-	121	689	(31)	163
Third party liability	-	2,287	14,854	(507)	987
Miscellaneous	-	362	2,681	(122)	(758)
Reinsurance acceptances	-	2,587	9,872	(114)	(12,824)
TOTAL	-	10,537	35,607	(2,192)	(15,660)

The reinsurance balance represents the (charge) to the technical account from the aggregate of all items relating to outwards reinsurance.

All business is completed in the United Kingdom.

5. MOVEMENT ON PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The prior year's net provision for claims outstanding generated a surplus for 2017 (2016: surplus) as detailed below:

	2017 £'000	2016 (restated) £'000
Direct insurance		
Fire and other damage to property	-	4,439
Marine, aviation and transport	-	11,321
Accident and health	-	(56)
Third party liability	-	(2,378)
Miscellaneous	-	12,234
Reinsurance acceptances	-	900
	-	26,460

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT

	2017	2016
	£'000	£'000
Syndicate investment income	-	6,842
Syndicate realised and unrealised gains less losses on investments	-	(2,995)
Investment management expenses	-	(540)
	-	3,307

7. NET OPERATING EXPENSES

	2017	2016
	£'000	£'000
Acquisition costs	-	390
Change in deferred acquisition costs	-	1,938
Administrative expenses	-	(135)
Reinsurance commissions	-	(280)
	-	1,913

8. DIRECTORS AND EMPLOYEES

The Company has no employees (2016: £Nil). The directors received no emoluments for their services to the Company (2016: £Nil).

All executive directors are entitled to shares in Chubb Limited under long-term incentive plans. During the year, three directors received shares in Chubb Limited under long-term incentive plans and one director exercised options over the shares of Chubb Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENT RETURN

	2017 £'000	2016 £'000
Investment income		
Syndicate investment income	-	6,842
Gains on the realisation of syndicate investments	-	927
Investment income arising on Funds at Lloyd's investments	-	400
Gains on the realisation of Funds at Lloyd's investments	-	12
	-	8,181
Investment expenses and charges		
Investment management expenses	-	(540)
Losses on the realisation of syndicate investments	-	(1,420)
Losses on the realisation of Funds at Lloyd's investments	-	(22)
	-	(1,982)
Net unrealised gains less losses on investments		
Unrealised gains on syndicate investments	-	15,957
Unrealised losses on syndicate investments	-	(12,469)
Unrealised gains on Funds at Lloyd's investments	-	800
Unrealised losses on Funds at Lloyd's investments	-	(688)
	-	3,600
TOTAL INVESTMENT RETURN	-	9,799

10. OTHER CHARGES/(INCOME) INCLUDING VALUE ADJUSTMENTS

	2017 £'000	2016 £'000
Management charge	11	11
	11	11

The management charge includes fees payable to the Company's auditors and their associates for the following services:

	2017 £'000	2016 £'000
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	6	6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) The tax charge is made up as follows:

	2017	2016
	£'000	£'000
Current taxation:		
UK corporation tax on profits of the period	7,403	7,072
Amounts payable to group undertakings in respect of group relief	-	839
Double tax relief	(29)	
Prior period adjustments	285	(181)
Total current taxation	7,659	7,730
Overseas taxation:		
Overseas tax	29	-
Total overseas taxation	29	
Deferred taxation (note 17):		
Origination and reversal of timing differences	(8,162)	1,937
Effect of change in tax rates	105	-
Total deferred tax credit/(charged)	(8,057)	1,937
Tax on profit on ordinary activities	(369)	9,666

Tax included in the statement of other comprehensive income
The tax credit is made up as follows:

Origination and reversal of timing differences	-	(2,423)
Total tax credit	-	(2,423)

(b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017	2016
	£'000	£'000
(Loss) / profit on ordinary activities before tax	(4,016)	49,701
(Loss) / Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19.25% (2016: 20%)	(773)	9,940
Expenses not deductible for tax purposes	14	(310)
Rate difference on deferred tax and current tax	105	218
Prior period adjustments	285	(181)
Total tax charge for the year (note 11 (a))	(369)	9,666

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. OTHER FINANCIAL INVESTMENTS

	2017	2016
	£'000	£'000
Market value:		
Debt securities and other fixed interest securities	-	221,868
Overseas deposits	-	22,627
Deposits with credit institutions	-	7,949
	-	252,444
Cost:		
Debt securities and other fixed interest securities	-	220,024
Overseas deposits	-	22,627
Deposits with credit institutions	-	7,949
	-	250,600

All securities are listed investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. OTHER FINANCIAL INVESTMENTS - continued

Fair Value Hierarchy

FRS 102 requires the Company to classify financial instruments into a fair value hierarchy as follows:

- Level 1 – Quoted prices (unadjusted) in active markets
- Level 2 – Recent transactions in an identical asset or liability if there is unavailability of quoted prices, and
- Level 3 – Inputs for the asset or liability that are derived using valuation techniques if there is no active market or other transactions which are a good estimate of fair value.

An analysis of financial instruments at 31 December 2016 by fair value hierarchy is set out below. The Company has no financial instruments at 31 December 2017.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Debt securities and other fixed income securities	8,445	212,879	544	221,868
Loans and deposits with credit institutions	3,760	4,189	-	7,949
Overseas deposits	8,926	13,626	75	22,627
Total	21,131	230,695	619	252,444

For securities in level 3 where pricing is based on unobservable inputs, valuations are sourced from models and / or third parties. Any third party models are reviewed and approved by the Chubb Group's specialist asset management function on a quarterly basis.

'Debt securities and other fixed interest securities' with active markets such as Government securities are classified within Level 1, as fair values are based on quoted market prices. For debt securities and other fixed interest securities that trade in less active markets, including corporate securities, fair values are based on the output of pricing models, the significant inputs into which include, but are not limited to, yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. These debt securities and other fixed interest securities are classified within Level 2. For debt securities and other fixed interest securities and debt securities and other fixed interest securities for which pricing is unobservable, these are classified within Level 3.

'Loans and deposits with credit institutions' include short term investments, such as liquidity funds. Where such securities are traded in active markets, they are classified within Level 1, as fair values are based on quoted market prices. Where no active market exists for such securities they are typically classified within Level 2 and where pricing is unobservable, Level 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. OTHER DEBTORS

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Amounts due from group undertakings	135,169	119,381
Other debtors	1,061	877
Corporation tax	-	6,189
	136,230	126,447

14. CALLED-UP SHARE CAPITAL

	2017 $'000	2016 $'000	2017 £'000	2016 £'000
Allotted, issued and fully paid				
6,725,202 (2016: 6,725,202) Ordinary shares of US$1	6,725	6,725	4,284	4,284
Share premium at US$9 per ordinary share	60,527	60,527	38,552	38,552

15. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Amounts payable to group undertakings in respect of group relief	-	6,398
Amounts due to group undertakings	-	9,996
Corporation tax	5,228	-
Other creditors	-	(10)
	5,228	16,384

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	2017	2016
	£'000	£'000
Included in provisions for liabilities and charges	-	(8,057)
Total recognised deferred tax (liability)	-	(8,057)
Technical results not declared	-	(5,937)
Other temporary differences	-	(2,120)
Total recognised deferred tax/(liability)	-	(8,057)

An analysis of the movement is deferred tax is as follows:

	2017	2016
	£'000	£'000
At 1 January	(8,057)	(8,544)
Deferred tax credit/(charge) to profit and loss account	8,162	(1,936)
Deferred tax credit/(charge) to other comprehensive income	-	2,423
Change in tax rate	(105)	-
At 31 December 2017	-	(8,057)

17. TRANSACTIONS WITH RELATED PARTIES

Advantage has been taken of the exemption provided in FRS 102 from disclosing details of transactions with Chubb Limited and its subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. RECONCILIATION OF INSURANCE BALANCES

The tables below show the movement in insurance balances. After the closing of the 2014 Year of Account, all remaining insurance balances were transferred into Chubb Capital I Limited on 1 January 2017, and therefore the Company has no insurance balances in 2017.

The reconciliation of opening and closing deferred acquisition costs is as follows:

	Gross		Reinsurers' Share	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
At 1 January	-	13,035	-	2,281
Change in acquisition costs deferred	-	(2,052)	-	(114)
Movements due to change in capacity and foreign exchange	-	(8,571)	-	(1,731)
At 31 December	-	2,412	-	436

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
At 1 January	-	14,483	-	2,411
Increase/(decrease) in provision	-	(10,537)	-	(1,136)
Movements due to change in capacity and foreign exchange	-	901	-	324
At 31 December	-	4,847	-	1,599

The reconciliation of opening and closing provision for claims is as follows:

	Gross		Reinsurers' share	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
At 1 January	-	343,682	-	107,382
Increase/(decrease) in provision	-	(96,729)	-	(26,045)
Movements due to change in capacity and foreign exchange	-	50,078	-	18,100
At 31 December	-	297,031	-	99,437

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is Chubb Limited, a company registered in Zurich, Switzerland, with its headquarters in Zurich, Switzerland and it is quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated financial statements can be obtained from Investor Relations at Chubb's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.