Annual Report and Accounts

2014

Excess Insurance Company Limited

Registered in England and Wales No. 40759

Directors

D S Rooney, CIMOU - Managing Director
J M Broadley, BA (Hons Oxon.), FCA, PIIA
B L Hoffman, BA, JD (resigned 1st August 2014)
M A Robaczynski, CPA (resigned 27th September 2014)
M E Hotaling, BA, JD (appointed 24th February 2014)
M J Scott, BA, JD, LLM (appointed 24th February 2014)

Secretary

R P Jackson, LLB, Solicitor

Registered Office

DLM House
Downlands Business Park
Lyons Way
Worthing
West Sussex
BN14 9RX
Registered in England and Wales No. 40759

Bankers

Citibank NA
Lloyds TSB Bank plc

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

STRATEGIC REPORT

for the year ended 31st December 2014

As from 1st January 1993, the Company ceased the underwriting of all classes of general insurance business, including reinsurance. Its objective is to conduct an orderly run-off of the remaining business.

PRINCIPAL AND RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company relate to asbestos and pollution claims arising from commercial general liability policies issued in the United States and Employer's Liability policies written in the United Kingdom. These claims have been reported for decades and are likely to take decades still to resolve, given the long latency period attaching to asbestos diseases in particular. Future social, economic or legal developments may continue to expand the original intent of policies and the scope of coverage and the Company continues to evaluate these developments. During the year, the Company strengthened the overall claim reserves by £29.0m, due to adverse development on previously reported US Asbestos exposures and continuing deterioration of UK Employer's Liability claims.

Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

The Company monitors interest rate risk by comparing the mean duration of the investment portfolio and of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

Equity Price Risk

The Company has a defined investment policy which limits exposure to equities to minimal levels. Compliance with the policy is reviewed monthly.

Currency Risk

The Company is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Sterling. The most significant foreign currencies to which the Company is exposed are the US Dollar and the Euro. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- exposure to corporate bonds; and
- amounts due from reinsurers in respect of claims already paid and ceded reserves.

The Company places limits on its exposure to a single issuer of corporate bonds and sets targets for the aggregate quality of its investment portfolio, which it reviews regularly. It also reviews its reinsurance exposures regularly.

Financial Risk Management Objectives

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations from policies as they fall due. The most important components of this financial risk to the Company are interest rate risk, currency risk, credit risk and liquidity risk.

The Company manages these positions with an asset/liability model which has been developed to ensure that proceeds from financial assets are sufficient to fund liabilities as they fall due. The Company does not use hedge accounting.

STRATEGIC REPORT

for the year ended 31st December 2014

Key Performance Indicators

The directors manage the Company by regular review of a range of key performance indicators, including shareholder's funds, incurred losses, cash flow, expenses and investment performance.

BUSINESS REVIEW

The underwriting loss for the year ended 31st December 2014 was £33.6 million which compares with a loss of £17.3 million in 2013. The loss after tax amounted to £13.6 million compared with a loss of £18.4 million in 2013. The change in results is due to the performance of the investment portfolio offset by an increase in the strengthening of claims reserves. Investment values increased sharply in 2014, following a fall in 2013.

No dividend has been paid or proposed (2013: £nil).

The results for the year were as follows:	**£'000**
Profit and loss account as at 1st January 2014	**(144,689)**
Loss for the year	**(13,593)**
Profit and loss account as at 31st December 2014	**(158,282)**

Considerable uncertainty remains over the ultimate cost of settlement of liabilities. Material, but presently unquantifiable, adjustments may be made to take account of future information and events.

A change in the Company's activities is expected to take place in 2015. The Company has advised the Prudential Regulation Authority and Financial Conduct Authority of its intention to transfer the whole of its insurance business to Hartford Financial Products International Limited, a fellow-subsidiary of The Hartford Financial Services Group, Inc., pursuant to Part VII of the Financial Services and Markets Act 2000. The intention is for the transfer to be sanctioned by the High Court of Justice in England in September 2015. As the Company's business is confined to insurance activities it is expected that the Company will cease to trade and effectively close down following the transfer, at a date yet to be decided, and therefore the financial statements have not been prepared on a going concern basis.

DLM House
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Worthing
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By Order of the Board

R P Jackson
Secretary

25th March 2015

DIRECTORS' REPORT

for the year ended 31st December 2014

The directors of Excess Insurance Company Limited submit their annual report on the affairs of the Company, together with the accounts and auditor's report, for the year ended 31st December 2014.

No events have occurred since the close of 2014 up to the date of signing these accounts which, in the opinion of the directors, could have a significant impact on the Company. However, the transfer of business outlined in the Strategic Report will have a significant impact and it is expected that the Company will cease to trade following the transfer.

DIRECTORS

The directors of the Company during the year and up to the date of signing the financial statements were as follows:

D S Rooney
J M Broadley
B L Hoffman (resigned 1st August 2014)
M A Robaczynski (resigned 27th September 2014)
M E Hotaling (appointed 24th February 2014)
M J Scott (appointed 24th February 2014)

GOING CONCERN

It is the intention of the directors to cease trading following the Part VII transfer and so they do not regard the Company as a going concern under Financial Reporting Standard 18. This does not affect the carried values of assets and liabilities.

DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 to 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.

DIRECTORS' REPORT

for the year ended 31st December 2014

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITOR

Pursuant to an elective resolution of the company, Deloitte LLP is automatically deemed to be re-appointed.

DLM House
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West Sussex
BN14 9RX

By Order of the Board

R P Jackson
Secretary

25th March 2015

AUDITOR'S REPORT
for the year ended 31st December 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXCESS INSURANCE COMPANY LIMITED

We have audited the financial statements of Excess Insurance Company Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – uncertainty relating to technical provisions

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 8 to the financial statements concerning the company's technical provisions in respect of claims relating to asbestos, environmental and latent injury liabilities. Considerable uncertainty exists regarding the ultimate cost of settlement of these liabilities and the recoverability of the reinsurers' share of technical provisions. These uncertainties are such that the ultimate liabilities, which will vary as a result of subsequent information and events, may result in material, but presently unquantifiable, adjustments to the amounts provided. Adjustments to the amount of provisions are reflected in the financial statements for the period in which the adjustments are made.

AUDITOR'S REPORT
for the year ended 31st December 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXCESS INSURANCE COMPANY LIMITED (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the statement of accounting policies to the financial statements which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Downes (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
25 March 2015

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - GENERAL BUSINESS
for the year ended 31st December 2014

Notes		2014 £'000	2014 £'000	2013 £'000	2013 £'000
	EARNED PREMIUMS, NET OF REINSURANCE				
1	Gross premiums written	**167**		119	
	Outward reinsurance premiums	**(29)**		(115)	
	Net premiums written and earned		**138**		4
	CLAIMS INCURRED, NET OF REINSURANCE				
	Claims paid				
	Gross amount	**(29,918)**		(32,772)	
	Reinsurers' share	**10,827**		13,071	
	Net claims paid	**(19,091)**		(19,701)	
	Change in the provision for claims				
	Gross amount	**(15,985)**		13,771	
	Reinsurers' share	**6,099**		(6,345)	
	Change in the net provision for claims	**(9,886)**		7,426	
	CLAIMS INCURRED, NET OF REINSURANCE		**(28,977)**		(12,275)
3	Net operating expenses		**(4,801)**		(5,018)
	BALANCE ON THE TECHNICAL ACCOUNT - GENERAL BUSINESS		**(33,640)**		(17,289)

The accompanying accounting policies and notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT

NON-TECHNICAL ACCOUNT - GENERAL BUSINESS
for the year ended 31st December 2014

Notes		2014 £'000	2014 £'000	2013 £'000	2013 £'000
	Balance on the technical account - general business		**(33,640)**		(17,289)
4	Investment income		**10,305**		11,729
	Unrealised gains/(losses) on investments		**9,800**		(15,925)
	Investment expenses and charges				
	Investment management expenses	**(244)**		(254)	
	Losses on realisation of investments	**(230)**		(532)	
			(474)		(786)
5	Other income and expenses		**416**		1,407
	Loss on ordinary activities before tax		**(13,593)**		(20,864)
6	Tax on loss on ordinary activities		**-**		2,514
12	Loss for the financial year		**(13,593)**		(18,350)

There have been no recognised gains and losses other than the loss or profit for each of the two years. Accordingly, no statement of total recognised gains and losses has been prepared.

All business is discontinued as defined by Financial Reporting Standard 3.

The accompanying accounting policies and notes form an integral part of these accounts.

BALANCE SHEET
as at 31st December 2014

Notes		2014 £'000	2014 £'000	2013 £'000	2013 £'000
	ASSETS				
	INVESTMENTS				
7	Financial investments		**254,764**		259,704
8	REINSURERS' SHARE OF TECHNICAL PROVISIONS				
	Claims outstanding		**95,611**		86,555
	DEBTORS				
9	Debtors arising out of reinsurance operations	**12,692**		13,074	
10	Other debtors	**2,501**		2,506	
			15,193		15,580
	OTHER ASSETS				
	Cash at bank and in hand		**9,673**		1,212
	PREPAYMENTS AND ACCRUED INCOME				
	Accrued interest		**2,445**		2,602
	TOTAL ASSETS		**377,686**		365,653

The accompanying accounting policies and notes form an integral part of these accounts.

BALANCE SHEET
as at 31st December 2014

Notes		2014 £'000	2014 £'000	2013 £'000	2013 £'000
	LIABILITIES				
	CAPITAL AND RESERVES				
11-12	Called up share capital	**102,461**		102,461	
12	Capital contribution	**79,604**		79,604	
12	Profit and loss account	**(158,282)**		(144,689)	
	TOTAL SHAREHOLDER'S FUNDS		**23,783**		37,376
8	TECHNICAL PROVISIONS				
	Claims outstanding		**343,414**		315,319
	DEPOSITS RECEIVED FROM REINSURERS		**4,810**		5,221
	CREDITORS				
13	Creditors arising out of reinsurance operations	**4,183**		6,186	
14	Other creditors including taxation	**1,496**		1,551	
			5,679		7,737
	TOTAL LIABILITIES		**377,686**		365,653

The financial statements of Excess Insurance Company Limited (Registered No. 40759) were approved by the Board of Directors and authorised on 25th March 2015.

D. S. Rooney, Managing Director

The accompanying accounting policies and notes form an integral part of these accounts.

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below. They have all been applied consistently throughout the current and preceding year.

A. Basis of Preparation

The financial statements have been prepared in accordance with the provisions of Section 501 of, and Schedule 3 to, the Companies Act 2006.

The financial statements have also been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules, modified to include the current value of investments and to comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (as amended in December 2006).

B. Going concern

A change in the Company's activities is expected to take place in 2015. The Company has advised the Prudential Regulation Authority and Financial Conduct Authority of its intention to transfer the whole of its insurance business to Hartford Financial Products International Limited, a fellow-subsidiary of The Hartford Financial Services Group, Inc., pursuant to Part VII of the Financial Services and Markets Act 2000. The intention is for the transfer to be sanctioned by the High Court of Justice in England in September 2015. As the Company's business is confined to insurance activities it is expected that the Company will cease to trade and effectively close down following the transfer, at a date yet to be decided, and therefore the financial statements have not been prepared on a going concern basis. This does not affect the carried values of assets and liabilities.

C. Premiums Written

Premiums written represent reinstatement premiums and adjustments to premiums written in prior accounting periods.

D. Claims Incurred

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related claims handling costs and adjustments to claims outstanding from previous years.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

E. Claims Outstanding

The provisions for claims outstanding for non-US asbestos and pollution reserves are generally determined by use of statistically based projections of ultimate losses. These projections make allowance for claims which have occurred but have not been reported at 31st December, for claims becoming re-opened, for salvage and other recoveries (including reinsurance) and for those claims handling expenses which are allocated to particular claims. Provisions for US asbestos and pollution reserves are determined by annual, ground-up evaluations.

A provision is set for all future costs of the run-off to the extent that they are not expected to be covered by future investment income.

STATEMENT OF ACCOUNTING POLICIES

F. Investments

(i) Fixed interest securities are stated at bid value less any accrued interest included in such value.

(ii) Investment income is accounted for on an accruals basis. All investment returns are recognised in the non-technical account.

(iii) Realised gains and losses on investments sold represent the difference between original cost and sale proceeds, exclusive of accrued interest where applicable but net of dealing costs.

(iv) The changes in investment values in the profit and loss account reflect the aggregate movements in market values of investments from one year to another. When investments are sold the previously reported unrealised gains or losses are reversed.

G. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

H. Exchange Rates

(i) Assets and liabilities held in currencies other than sterling have been translated at the rates of exchange ruling at the year end. Revenue and profit and loss account transactions denominated in currencies other than sterling have been translated at rates based on the averages for the year.

(ii) Gains and losses arising from the revaluation of opening foreign currency assets and liabilities into sterling at current year end exchange rates, as adjusted for investments realised during the year, are included in the profit and loss account, as are gains or losses arising from management of the Company's foreign exchange exposure.

I. Cash Flow Statement

Under the provisions of Financial Reporting Standard 1 (Revised), the Company has taken advantage of the exemption not to prepare a cash flow statement because its ultimate parent undertaking, The Hartford Financial Services Group, Inc., produces a consolidated cash flow statement which is publicly available.

NOTES TO THE ACCOUNTS

31st December 2014

1. SEGMENTAL INFORMATION

Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance.

	2014 Gross premiums written £'000	**2014 Gross premiums earned £'000**	**2014 Gross claims incurred £'000**	**2014 Gross operating expenses £'000**	**2014 Reinsurance balance £'000**
Direct Insurance					
Marine, aviation and transport	**67**	**67**	**(1,125)**	**(691)**	**(739)**
Fire and other damage to property	**15**	**15**	**(146)**	**(11)**	**54**
Third party liability	**1**	**1**	**(33,664)**	**(1,935)**	**17,410**
Miscellaneous	**-**	**-**	**-**	**-**	**-**
	83	**83**	**(34,935)**	**(2,637)**	**16,725**
Reinsurance	**84**	**84**	**(10,968)**	**(2,164)**	**172**
	167	**167**	**(45,903)**	**(4,801)**	**16,897**

	2013 Gross premiums written £'000	2013 Gross premiums earned £'000	2013 Gross claims incurred £'000	2013 Gross operating expenses £'000	2013 Reinsurance balance £'000
Direct Insurance					
Marine, aviation and transport	34	34	(984)	(391)	(540)
Fire and other damage to property	-	-	(1,483)	10	261
Third party liability	-	-	(14,108)	(2,229)	7,274
Miscellaneous	-	-	-	-	-
	34	34	(16,575)	(2,610)	6,995
Reinsurance	85	85	(2,426)	(2,408)	(384)
	119	119	(19,001)	(5,018)	6,611

The reinsurance balance represents the reinsurance element of gross premiums less gross claims and operating expenses. Analysis of net assets and the profit before tax is not disclosed as it is not practicable to do so.

As the Company's business comprised almost entirely insurance underwriting in the United Kingdom no geographical analysis is provided.

2. PRIOR YEARS' CLAIMS PROVISIONS

The Company ceased underwriting with effect from 1st January 1993. Accordingly, all claims incurred represent movements in claims provisions in respect of prior years.

NOTES TO THE ACCOUNTS

31st December 2014

3. NET OPERATING EXPENSES

		2014 £'000	2013 £'000
(i)	Acquisition costs	**(2)**	-
	Administrative expenses	**4,803**	5,018
	Gross operating expenses	**4,801**	5,018
(ii)	Expenses, net of expense allowances and overriders received on outwards reinsurance are charged to:		
	Technical account	**4,801**	5,018
	Non-technical account - investment expenses	**244**	
		5,045	5,272
(iii)	The analysis of auditor's remuneration is as follows: Fees payable to the Company's auditor for the audit of the Company's annual accounts	**82**	81
	Total audit fees	**82**	81
	Tax services	**9**	9
	Other services pursuant to legislation	**9**	11
	Total non-audit fees	**18**	20

(iv) All staff and UK directors are employed by Downlands Liability Management Limited, a fellow subsidiary of The Hartford Financial Services Group, Inc.. Employee costs (including those for UK directors) are recharged to the Company.

In both the current and prior year, the remuneration of the UK directors is disclosed in the accounts of Downlands Liability Management Limited as it is not practical to allocate this between their services as directors of Downlands Liability Management Limited and their services as directors of the Company.

4. INVESTMENT INCOME

	2014 £'000	2013 £'000
Income from listed investments	**10,042**	11,410
Income from other investments	**263**	319
	10,305	11,729

NOTES TO THE ACCOUNTS
31st December 2014

		2014 £'000	2013 £'000
5.	**OTHER INCOME AND EXPENSES**		
	Gains/(Losses) on foreign exchange	**46**	207
	Sundry income	**370**	1,200
		416	1,407

6. TAXATION

The tax charge for the period comprised:

	2014 £'000	2013 £'000
Current Tax:		
UK Corporation tax credit for the period	**-**	2,514
Factors affecting tax charge for the period:		
Loss on ordinary activities before tax	**(13,593)**	(20,864)
Loss on ordinary activities before tax multiplied by the standard rate of 21.50% (2013: 23.25%)		
Corporation tax credit in the UK	**2,922**	4,851
Deferred tax asset not recognised	**(2,922)**	(2,337)
Current tax credit for the period	**-**	2,514

Factors that may affect the future tax charge:
In 2014, there are tax losses carried forward of £24.9m (2013: £11.3m). A deferred tax asset of £5.0m has not been recognised (2013: £2.3m) because it is unlikely that there will be sufficient suitable taxable profits available to utilise the tax losses.

7. INVESTMENTS

	2014		2013	
	Market Value £'000	**Cost £'000**	Market Value £'000	Cost £'000
Debt securities and other fixed interest securities	**247,315**	**235,686**	239,948	238,484
Deposits with credit institutions	**7,394**	**7,394**	19,716	19,716
Stocks and shares	**55**	**40**	40	40
	254,764	**243,120**	259,704	258,240
Included in the above were debt securities and other fixed interest securities:				
Listed in the UK	**74,849**	**70,211**	83,872	83,266
Listed overseas	**172,466**	**165,475**	156,076	155,218
	247,315	**235,686**	239,948	238,484

NOTES TO THE ACCOUNTS
31st December 2014

8. TECHNICAL PROVISIONS

	Claims outstanding £'000
Gross amount	
At 1st January 2014	**315,319**
Movement in the provision	**15,985**
Foreign exchange movement	**12,110**
As at 31st December 2014	**343,414**
Reinsurance amount	
At 1st January 2014	**86,555**
Movement in the provision	**6,099**
Foreign exchange movement	**2,957**
At 31st December 2014	**95,611**
Net technical provisions	**247,803**
At 31st December 2014	
At 31st December 2013	228,764

The claims provision includes £288.9m (2013: £283.0m) of gross reserves and £152.6m (2013: £140.9m) of net reserves in respect of claims relating to asbestos, environmental and latent injury liabilities:

- Asbestos, environmental and latent injury losses arising from business written in the United States. These components comprise both direct policies of insurance and contracts of assumed reinsurance. Such claims have a long latency period and can take many years to be reported. As a participant in the London Market, business was underwritten on a subscription basis, with the Company's involvement being limited to a relatively small percentage of a total contract placement. A number of factors affect the variability of estimates for these reserves including assumptions with respect to the frequency of claims, the average severity of those claims settled with payment, the dismissal rate of claims with no payment and the expense to indemnity ratio. The uncertainty with respect to the underlying reserve assumptions for such claims adds a greater degree of variability to these reserve estimates than reserve estimates for more traditional exposures.

- Occupational disease arising from UK Employer's Liability policies written from the 1940's to the 1990's. Such claims also have a long latency period and are subject to legislation and case law which continue to develop. Assumptions are made with respect to the frequency of claims, the average severity of those claims settled with payment and the dismissal rate of claims with no payment. Such assumptions may change in the future.

During the year, the Company strengthened the overall claim reserves by £29.0m, due to adverse development on previously reported US Asbestos exposures and continuing deterioration of UK Employer's Liability claims.

The level of the provision has been set on the basis of the information which is currently available, including potential outstanding loss advices, experience of development of similar claims and case law. Future social, economic or legal developments continue to expand the original intent of policies and the scope of coverage and the Company will continue to evaluate these developments.

These uncertainties are such that the amount and timing of the ultimate liabilities and the related reinsurance assets may vary as a result of subsequent information and events, which may result in material, but presently unquantifiable, adjustments to the amounts provided. Adjustments to the amount of provisions are reflected in the financial statements for the period in which the adjustments are made.

	2014 £'000	2013 £'000
9. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS		
Other reinsurance debtors	**12,692**	13,074
10. OTHER DEBTORS		
Taxation	**2,375**	2,375
Due from group undertakings	**126**	126
Prepayments	**-**	5
	2,501	2,506
11. SHARE CAPITAL		
Issued, called up and fully paid:		
102,461,000 Ordinary shares of £1 each	**102,461**	102,461

12. SHAREHOLDER'S FUNDS

	Share Capital £'000	**Capital Contribution £'000**	**Profit and Loss Account £'000**	**2014 Total Funds £'000**	2013 Total Funds £'000
At 1st January	**102,461**	**79,604**	**(144,689)**	**37,376**	55,726
Loss for the year	**-**	**-**	**(13,593)**	**(13,593)**	(18,350)
At 31st December	**102,461**	**79,604**	**(158,282)**	**23,783**	37,376

The directors regard the capital contribution brought forward as non-distributable.

	2014 £'000	2013 £'000
13. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS		
Other reinsurance creditors	**4,183**	6,186
14. OTHER CREDITORS INCLUDING TAXATION		
Due to group undertakings	**902**	886
Other creditors	**594**	665
	1,496	1,551

15. PARENT AND ULTIMATE HOLDING COMPANIES

The Company is a wholly-owned subsidiary undertaking of Heritage Reinsurance Company Limited, registered in Bermuda. Its ultimate holding company is The Hartford Financial Services Group, Inc. which is incorporated in the State of Delaware, USA.

The largest group in which the results of Excess Insurance Company Limited are consolidated is that headed by The Hartford Financial Services Group, Inc. incorporated in the State of Delaware, USA, whose principal place of business is at Hartford Plaza, Hartford, Connecticut 06155.

The smallest group in which they are consolidated is that headed by Heritage Reinsurance Company Limited, registered in Bermuda, whose principal place of business is c/o Kane (Bermuda) Limited, Cumberland House, 1 Victoria Street, Hamilton HM11, Bermuda.

Under the provisions of Financial Reporting Standard 8 “Related Party Disclosures”, the Company has taken advantage of the exemption from disclosing transactions with other wholly-owned members of the group headed by The Hartford Financial Services Group, Inc..

The consolidated accounts of the Hartford Financial Services Group, Inc. are available to the public from its principal place of business.