Registered in England and Wales Number: 1445992

Reliance National Insurance Company (Europe) Limited

Report and Financial Statements
31 December 2015

Registered Office:
20 Old Broad Street
London
EC2N 1DP

Directors and Officers

Directors:

B S Huntington
J C Williams
D P Richards

Registered Office

20 Old Broad Street
London
EC2N 1DP

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Review of the Business

The Company no longer underwrites business. Its principal activity is the run-off of general insurance and reinsurance business.

The results for the year are set out on page 10.

The Company has not written any new business since it voluntarily ceased underwriting on 15 January 2001 and its authorisation to write new and renewal business was withdrawn by the Financial Services Authority on 30 November 2001 at the Company's request.

As part of running off its general insurance and reinsurance business, the Company operates a cautious investment strategy and all funds were held as bank deposits at the balance sheet date.

During the year, claims development has followed expectations.

Results

The results of the Company for the year, as set out on pages 10 to 25, show a loss on ordinary activities after taxation attributable to the owners of the parent of £7,000 (2014: profit of £81,000). The shareholders' funds of the Company are £3,392,000 (2014: £3,399,000).

Key performance indicators ('KPIs')

During the year we have continued with the key element of our strategy; this being the orderly management of the run-off and settling claims as they fall due whilst maintaining adequate insurance reserves to cover potential future liabilities.
The board monitors progress against this strategy using the following KPIs:

	2015	2014	
	£'000	£'000	
Gross claims paid	**39**	42	Gross claims settled in the year
Technical reserves	**214**	253	Closing outstanding claims provision

Future development and strategy

The Company plans to continue with the orderly run off of the remaining book of business; settling claims as they become due.

The remaining excluded business continues to be run off and there has been no deterioration in reserves. The Company considers the possibility of the remaining claims reaching their maximum policy limits and therefore an impact on solvency to be extremely low.

Based upon this the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Strategic report for the year ended 31 December 2015 (continued)

Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102 "The Financial Reporting Standard, applicable in the UK and Republic of Ireland". The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. In accordance with FRS 102, the Company has identified its insurance contracts and accounted for them in accordance with FRS 103 "Insurance Contracts". The impact of the transition to FRS 102 is set out in Note 20 "Transition to FRS 102". The impact of transition on the profit after tax for the comparative period and the opening equity at 1 January 2014 amounted to £345,000.

Principal risks and uncertainties

The company has net assets of £3,392,000 as at the balance sheet date, composed entirely of positive bank balances, and there are no liquidity issues.

There is little or no exposure to the uncertainties in the current economic environment, as the company does not have any invested assets which are likely to be affected by the financial market turmoil.

The Company is exposed to financial risk, mainly through its financial assets and technical provisions. The key financial risk is that proceeds from financial assets are not sufficient to fund claims as they fall due.

The most important components of these risks are; solvency risks, timing and valuation risk in relation to technical provisions and interest rate, currency, credit and liquidity risk in relation to financial assets.

The Company manages these risks by:

- employing specialist claims handlers who perform the day-to-day monitoring of its insurance liabilities and reinsurance assets;
- reviewing cash flow requirements to ensure its liquidity needs are met.

Future Developments

Solvency II came into force on 1 January 2016. We have fully embedded the Pillar 1 quantitative requirements and Pillar 2 qualitative requirements into our operations. We monitor our approach to meeting the Pillar 1 capital requirements and at present have decided that the standard formula adequately reflects our risk profile. The directors are confident that the Company will continue to meet its regulatory capital requirements in the future. On an annual basis the Company will publish quantitative and qualitative information on Solvency II in a Solvency and Financial Condition Report (SFCR). The first SFCR will be prepared as at 31 December 2016.

By order of the board.

DPRichards

D P Richards
Director

29 March 2016

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements for the Company for the year ended 31 December 2015.

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

Dividends
No dividends are paid or proposed.

Directors
The names of the current directors are listed on page 3. There were no changes to the Directors holding office during 2015.

Employees
The Company has no employees.

Disclosure of relevant information to auditors
Each of the persons who is a director, at the date of this report, confirms that:

- as far as each of them are aware, there is no information relevant to the audit of the company's financial statements for the year ended 31 December 2015 of which the auditors are aware; and
- the directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish the company's auditors are aware of that information.

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Board of Directors Meeting.

Statement of directors' responsibility
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 prepared the group and parent company 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 group and the company and of the profit or loss of the group 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.

Directors' report for the year ended 31 December 2015 (continued)

Statement of directors' responsibility (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, disclose with reasonable accuracy at any time the financial position of the company and the group, 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

D P Richards,
Director

29 March 2016

Independent auditors' report to the members of Reliance National Insurance Company (Europe) Limited

Report on the financial statements

Our opinion

In our opinion, Reliance National Insurance Company (Europe) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibility set out on pages 6 to 7, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Kirstie Hanley

Kirstie Hanley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 March 2016

Profit and loss account for the year ended 31 December 2015

Technical Account – General Business	Note	2015 £'000	2014 £'000
Claims incurred, net of reinsurance			
Claims paid			
gross amount	6	(39)	(42)
reinsurers' share	6	3	(20)
		(36)	(62)
Change in the provision for claims			
gross amount	7	39	(111)
reinsurers' share	7	-	-
		39	(111)
Claims incurred, net of reinsurance	7	3	(173)
Net operating expenses		(185)	(138)
Total Technical charges		(185)	(138)
Balance on the technical account for general business		(182)	(311)

Non-Technical Account

	Note	2015 £'000	2014 £'000
Balance on the general business technical account		(182)	(311)
Investment income	10	1	13
Foreign exchange on monetary assets		174	379
Profit / (loss) on ordinary activities before taxation		(7)	81
Tax on profit on ordinary activities	11	-	-
Profit / (loss) for the financial year	20	(7)	81
Profit attributable to the owners of the parent		(7)	81

There is no other comprehensive income.

The notes on pages 13 to 25 form an integral part of the financial statements.

Balance sheet as at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Debtors			
Debtors arising out of reinsurance operations		-	42
Other assets			
Cash at bank and in hand		4,032	3,997
Total assets		4,032	4,039
Liabilities			
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	20	3,392	3,399
Total equity		3,392	3,399
Technical Provisions			
Claims outstanding	14	214	253
Provisions for other risks			
Other provisions	15	-	-
Creditors			
Other creditors including taxation and social security	16	378	361
Accruals and deferred income		48	26
Total liabilities		640	640
Total equity and liabilities		4,032	4,039

These financial statements on pages 10 to 25 were approved by the Board of Directors on 29 March 2016 and were signed on its behalf by:

D P Richards
Director

Statement of changes in equity for the year ended 31 December 2015

	Called-up share capital £'000	Retained earnings £'000	Total Equity £'000
Balance as at 1 January 2014	-	3,318	3,318
Profit / (loss) for the year	-	81	81
Total comprehensive income for the year	-	81	81
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 December 2014	-	3,399	3,399
Balance as at 1 January 2015	**-**	**3,399**	**3,399**
Increase in share capital	**-**	**-**	**-**
Profit / (loss) for the year	**-**	**(7)**	**(7)**
Total comprehensive income for the year	**-**	**3,392**	**3,392**
Dividends	**-**	**-**	**-**
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**
Balance as at 31 December 2015	**-**	**3,392**	**3,392**

The notes on pages 13 to 25 form an integral part of the financial statements.

Notes to the financial statements for the year ended 31 December 2015

1. General Information
Reliance National Insurance Company (Europe) Limited is a general insurance company in run-off in the UK. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 20 Old Broad Street, London, EC2N 1DP.

2. Statement of Compliance
The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006.

3. Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 and FRS 103 are disclosed in Note 20.

a. Basis of preparation
The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

b. Going concern
Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c. *Exemptions for qualifying entities under FRS102*
FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company is a wholly-owned subsidiary of ILS Property & Casualty Re Limited and the cash flows of the Company are included in that company's consolidated cash flow statement. The Company has therefore elected not to present a cash flow statement. In addition, the Company has taken the exemption under FRS102 not to disclose salary information in respect to key management personnel.

d. Foreign Currency
The Company financial statements are presented in pound sterling and rounded to thousands. The Company's functional currency is the pound sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. 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 are monetary items.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Notes to the financial statements for the year ended 31 December 2015 (continued)

3. Summary of significant accounting policies (continued)

e. Insurance contracts

The Company is in run-off and no longer issues contracts of insurance.

a) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

b) Claims provisions

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the company uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, the company has regard to the claim circumstance as reported, any information available from legal advisers and information on the cost of settling claims with similar characteristics in previous periods.
Where possible, the company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.
There is no remaining reinsurance and therefore gross and net provisions are the same.

Notes to the financial statements for the year ended 31 December 2015 (continued)

f. Taxation
Current tax, including UK Corporation tax, is provided at amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

g. Cash and cash equivalents
Cash and cash equivalents comprise deposits held at call with banks.

h. Provisions and contingencies
Provisions are recognised where the Company has a present legal or constructive obligation as a result of past events; it is probable than an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

i. Investment return
Interest income is recognised using the effective interest rate method. Interest and expenses are accounted for on an accruals basis.

j. Share capital
Ordinary shares are classified as equity.

k. Distributions to equity holders
Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statements of changes in equity.

l. Related party transactions
The Company elects under FRS102 Chapter 33.1a not to disclose related party transactions between itself, ILS Property & Casualty Re Limited Investments or their respective subsidiaries. There are no third party transactions with entities outside of the Group.

m. Financial Instruments
The Company has chosen to apply the recognition and measurement and disclosure under the requirements of FRS 102 in respect of financial instruments.

Notes to the financial statements for the year ended 31 December 2015 (continued)

4. Critical accounting judgements and estimation uncertainty

a. The ultimate liability arising from claims made under insurance contracts

The Company sets its provision for claims outstanding on an individual-case basis, 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 net of salvage and subrogation recoveries. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

The provision for claims outstanding is based on information available at the balance sheet date, however, significant delays can be experienced in the notification and settlement of certain claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. In particular, estimates of technical provisions inevitably contain inherent significant uncertainties because significant periods of time may elapse between the occurrence of an insured loss, the claim triggering the insurance under a claims-made coverage, the reporting of that claim to the Company and the Company's payment of the claim and the receipt of reinsurance recoveries.

Whilst the Directors consider that the gross provision for claims and the related recoveries are fairly stated on the basis of the information currently available to them, there is inherent uncertainty in relation to the ultimate liability which will vary as a result of subsequent information and events and may result in adjustments to the amount provided. Adjustments to the amount of the provisions 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.

As a result of Board and senior management discussions in January 2016, IBNR reserves of £174,000 were established, which the Directors expect to be an appropriate level to meet future claims.

There are no other balances subject to judgement or estimate.

5. Management of insurance and financial risk

a. Insurance Risk

The Company issued contracts that transferred insurance risk. This section summarises this risk and the way the company manages it.

Frequency and severity of claims

Year ended 31 December 2015

Territory	Type of Risk Third Party liability £'000	Total £'000
United Kingdom – Gross/Net	214	214
Total	**214**	**214**

Notes to the financial statements for the year ended 31 December 2015 (continued)

Frequency and severity of claims (continued)

Year ended 31 December 2014

Territory	Type of Risk Third Party liability £'000	Total £'000
United Kingdom – Gross/Net	253	253
Total	253	253

The geographical concentration of the risk is stable in comparison to last year.

The following tables disclose the concentration of insurance liability by type of business. The amounts are the carrying amount of outstanding claims arising from insurance contracts.

Year ended 31 December 2015

Type of business		Maximum insured loss £0-1m £'000	Total £'000
Employers liability	Gross/Net	214	214
Total		**214**	**214**

Year ended 31 December 2014

Type of business		Maximum insured loss £0-1m £'000	Total £'000
Employers liability	Gross/Net	253	253
Total		253	253

Sources of uncertainty in the estimation of future claim payments
The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 4.

The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to IBNR. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted to employees under employers' liability contracts. Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

Notes to the financial statements for the year ended 31 December 2015 (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid.

Process used to decide on assumptions

The best estimate reserves are based on the frequency severity approach. An analysis by claim type of historically reported claims has been used to determine an expected future reporting pattern based on a survival ratio approach and average expected severity. There are no changes in the assumptions since the prior year.

Sensitivity analysis

The following table presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The sensitivities to economic movements relate mainly to employers liability business given that this is the Company's only remaining book of business.

2015 Impact on profit after tax and equity (£'000)	Claims inflation assumption +10%	Claims inflation assumption -10%
Gross of reinsurance	(21)	21

Claim development table

Claims outstanding (net) Underwriting year	1992 £'000	1993 £'000	1994 £'000	1995 £'000	1996 £'000	1997 £'000	1998 £'000	1999 £'000	2000 £'000	Total £'000
Estimate of ultimate claims costs;										
'- at end of reporting year										2,504
'- 13 years later									217	2,538
'- 14 years later								280	239	2,708
'- 15 years later							397	280	219	2,708
'- 16 years later						3	371	280	219	
'- 17 years later					79	3	596	280		
'- 18 years later				235	79	3	581			
'- 19 years later			855	235	79	3				
'- 20 years later		406	855	235	79					
'- 21 years later	32	444	855	235						
'- 22 years later	32	408	860							
'- 23 years later	33	412								
'- 24 years later	39									
Current estimate of cumulative claims	39	412	860	235	79	3	581	280	219	2,708
Cumulative payments to date	(39)	(405)	(855)	(235)	(79)	(3)	(379)	(280)	(219)	(2,493)
Liability recognised in the balance sheet	-	7	5	-	-	-	202	-	-	214
Provision in respect of prior years										-
Total provision included in balance sheet										**214**

Notes to the financial statements for the year ended 31 December 2015 (continued)

Claim development table (continued)

It has not been practical to produce claim development numbers for calendar years prior to those shown above.

b. Financial risk management objectives

The Company is exposed to a limited range of financial risks in particular the key financial risk is currency fluctuations arising from holding capital in excess of insurance reserves in foreign currency. The Company has not changed the processes used to manage its risks from previous periods.

Market Risk

Currency risk

The Company manages their foreign exchange risk against their functional currency. Foreign exchange arises when recognised assets are denominated in a currency that is not the entity's functional currency.

The Company seeks to mitigate the risk by matching the estimated liabilities with assets denominated in the same currency.

At 31 December 2015, if the pound had strengthened by 15% against the US Dollar with all other variables held constant, profit for the year would have been £176,000 lower, mainly as a result of foreign exchange losses on the translation of US Dollar denominated financial assets, carried at fair value through profit or loss.

Liquidity risk

The Company has no liquidity risk as all assets are held as cash at bank. The accruals and deferred income at the balance sheet date are expected to settle within 12 months whilst the claims outstanding by their nature are likely to settle over a significantly longer period, as and when claims are presented and agreed.

Credit risk

The Company's financial assets are comprised exclusively of bank balances and as a result the only material credit risk is in relation to these cash balances. Balances are held with several banks with credit ratings of BBB- or higher.

Capital Management

The Company maintains an efficient capital structure consistent with the company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to manage exposures to movement in exchange rates.

The Solvency II regime has been effective from 1 January 2016 and establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The Company is subject to these regulations. The Company is required to meet a Solvency Capital Requirement (SCR) which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as

Notes to the financial statements for the year ended 31 December 2015 (continued)

Capital Management (continued)

the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. In the period leading up to Solvency II's implementation the company has been managing its capital having regard to Solvency II's capital requirements and definition of capital.

6. Particulars of business

Gross claims incurred, gross operating expenses and reinsurance balance by class of business

	Gross claims incurred		Gross operating expenses		Reinsurance balance	
	2015	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Employers liability	**0**	(153)	**(185)**	(138)	**3**	(20)
	0	(153)	**(185)**	(138)	**3**	(20)

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

7. Movement in prior year's provision for claims outstanding

There were no material over / (under) provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior years' claims.

Incurred claims, net of reinsurance	**2015**	2014
	£'000	£'000
Employers liability	**3**	(173)
	3	(173)

8. Expenses

Net operating expenses

	2015	2014
	£'000	£'000
Administration expenses	**185**	138
	185	138

Administrative expenses above include the following amounts:

Management fees	**104**	95
Administration of run-off	**49**	15

Notes to the financial statements for the year ended 31 December 2015 (continued)

8. Expenses (continued)

Management and run-off fees were paid to Armour Risk Management Limited for providing run-off services to Reliance National Insurance Company (Europe) Limited for the period from 1 January 2015 to 31 December 2015.

Auditors' remuneration

During the year the Company obtained the following services from the Company's auditor and its associates at costs as detailed below:

	2015 **£'000**	2014 £'000
Fees payable to the Company's auditors and its associates for the audit of the company and financial statements	**25**	21
Fees payable to the Company's auditors and its associates for other services	**-**	-
Audit related assurance services	**7**	4
Tax advisory services	**-**	3
	32	28

Operating leases
The responsibility for operating leases resides with Armour Risk Management Limited as the current Run-off Services provider, in accordance with the service level agreement. This expense now forms part of the administration of run-off costs.

9. Employees and directors

Employees
Reliance National Insurance Company (Europe) Limited had no employees during the year.

Directors
B S Huntington, J C Williams and D P Richards are all employed by Armour Group Holdings Limited (Bermuda) and receive no remuneration from Reliance National Insurance Company (Europe) Limited.

10. Investment Income

	2015 **£'000**	2014 £'000
Income from financial assets at fair value through profit and loss	**1**	13
Total investment return	1	13

Notes to the financial statements for the year ended 31 December 2015 (continued)

11. Taxation

	2015 £'000	2014 £'000
UK corporation tax at 20.25% (2014: 21.50%)		
Current tax on income for the period	-	-
Tax on profit on ordinary activities	-	-

Factors affecting tax charge for the year.

The tax credit (2014: charge) for the year is lower (2014: lower) than that resulting from applying the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).
The differences are explained below:

	2015 £'000	2014 £'000
Non-technical account		
Profit / (loss) on ordinary activities before tax	(7)	81
Corporation tax at 20.25% (2014: 20.50%)	1	(17)
Factors affecting charge:		
Permanent differences	-	-
Capital allowances in excess of depreciation	4	6
Movement in short-term timing differences	-	-
Adjustment to tax losses surrendered in prior years	(5)	11
Current tax credit for the year	-	-
	-	-

Factors that may affect the future tax charge

A potential deferred tax asset of £4,302,000 (2014: £4,566,000) in respect of certain unutilised tax losses has not been recognised as there is insufficient evidence that it will be recoverable. This asset would be recoverable should sufficient taxable profits be generated in the future which would be eligible for relief against the unutilised tax losses.

	2015 £'000	2014 £'000
Losses – trading and capital losses	4,284	4,542
Depreciation in excess of capital allowances	18	24
Total un-provided deferred tax assets	4,302	4,566

Deferred tax
No deferred tax has been provided for (2014: £nil).

12. Dividends on equity shares

The directors do not propose a dividend in respect of the financial year ended 31 December 2015.

Notes to the financial statements for the year ended 31 December 2015 (continued)

13. Share capital

	2015 £'000	2014 £'000
Authorised:		
Ordinary shares of £1 each	**100,000**	100,000
Called up and allotted:		
100 ordinary shares of £1 each fully paid	-	-
	-	-

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

14. Reconciliation of Insurance balances

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

	Gross		Reinsurers' share	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
At 1 January	**253**	142	**42**	176
Increase/(decrease) in provision	**(39)**	111	**(42)**	(134)
Foreign exchange movements	-	-	-	-
At 31 December	**214**	253	-	42

15. Provisions for other risks and charges

Under FRS 102 and 103, insurance business in run-off does not constitute a discontinued operation. Under previous UK GAAP and ABI SORP, the Company recognised a provision for future costs associated with the operation of the run-off. The provision was composed of all costs associated with running the Company. Under FRS 102 no such allowance exists and thus the provision has been withdrawn.

16. Other creditors including tax and social security

	2015 £'000	2014 £'000
Other creditors	**378**	361
	378	361

The Company has provided a guarantee for certain potential future liabilities. Consequently, a letter of credit is held by the Company's bankers. The outstanding amount as at 31 December 2015 was £334,557 (2014: £334,557). The collateral asset in connection with the above is £340,916 (2014: £340,995).

Notes to the financial statements for the year ended 31 December 2015 (continued)

17. Operating leases

Reliance National Insurance Company (Europe) Limited does not have any operating leases commitments.

18. Controlling parties

The Owner of Reliance National Insurance Company (Europe) Limited is ILS Property and Casualty Re Limited; a Bermuda licensed and incorporated reinsurer. The Owner is an indirect wholly owned subsidiary of ILS Property and Casualty Fund Limited, a Cayman based passive investment vehicle ("ILS Fund"). As the Fund is a passive investment vehicle, all day to day activities, including all investment decisions of the ILS Fund and of the Owner reside in the sub advisor to the Fund, ILS Investment Management Limited, a Bermuda based company ("ILS IM"). The controller of the Owner is ILS IM via a sub-advisory agreement. ILS IM is a wholly owned subsidiary of Armour Group Holdings Limited; a Bermuda incorporated company ("Armour Holdings"). Armour Holdings is the ultimate controller of licensed (re)insurers in Bermuda, the USA and the Cayman Islands.

19. Related party transactions

The Company has taken advantage of the exemption under FRS 102 chapter 33 available to wholly owned subsidiary companies not to disclose related party transactions between itself, ILS Property & Casualty Re Limited Investments or their respective subsidiaries. There have been no related party transactions with entities outside of this Group.

The financial statements of the parent company can be obtained from; Aon House, 30 Woodbridge Avenue, Hamilton HM08, Bermuda.

20. Transition to FRS102

This is the first year that the Company has presented their results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile Company profit for the financial year ended 31 December 2014 and the total Company equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year

	2014 **£'000**
UK GAAP – As previously reported	176
Restructuring/run-off provision	125
FRS102	301

Total equity

	1 January 2014 **£'000**	**31 December 2014** **£'000**
UK GAAP – As previously reported	11,848	3,399
Restructuring/run-off provision	345	-
FRS102	12,193	3,399

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Transition to FRS102 (continued)

Restructuring/run-off provision

Under FRS 102 and 103, insurance business in run-off does not constitute a discontinued operation (FRS 103 IG 2.37 and Appendix 1). Under previous UK GAAP and the ABI SORP the Company recognised a provision for its business in run-off which constituted the employers liability line of business. The provision was composed of all costs associated with running off the book of business offset by investment income the associated assets were expected to generate. Under FRS 102 no such allowance exists and thus the provision has been eliminated. Upon transition the decrease in the provision and increase in shareholders funds was £345,000.