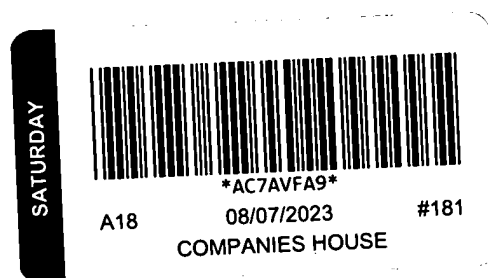


# NAVIGATORS

HOLDINGS (UK) LIMITED

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**Annual Report and Financial Statements**  
**31 December 2022**

Registration number: 03434197

# NAVIGATORS

HOLDINGS (UK) LIMITED

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# NAVIGATORS

HOLDINGS (UK) LIMITED

## **Directors and administration**

### **Directors**

C L Bach III

N J Farrer

M R Fisher

### **Registered office**

7-8<sup>th</sup> Floor, 6 Bevis Marks

London,

United Kingdom

EC3A 7BA

### **Registered number**

03434197

### **Company Profile**

Private company limited by share capital

Registered in England and Wales

### **Statutory Auditor**

Deloitte LLP, London,

### **Solicitor**

Norton Rose Fulbright LLP, London

### **Bankers**

Societe Generale S A

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Strategic Report

The Board of Directors of Navigators Holdings (UK) Limited ("the Directors" or "the Board" of "the Company") present their report for the year ended 31 December 2022. The Company is registered in England and Wales.

This Strategic Report provides an overview of the Company's strategic management, business environment, performance and position and the s.172 statement that sets out the Company's management of specific matters as required under that section. In addition, whilst there is no specific requirement to report on the actions taken to respond to climate change, the Company's actions are set out within the paragraphs that follow.

## Strategic management

The principal activity of Navigators Holdings (UK) Limited ("the Company") continues to be that of a holding company. The Company is the ultimate UK holding company for the majority of the UK subsidiaries of The Hartford Financial Services Group, Inc. These subsidiaries manage and support commercial and specialist underwriting business at Lloyd's Syndicate 1221 ("the Syndicate"), Navigators International Insurance Company ("NIIC") and the UK Branch ("UK Branch") of Navigators Insurance Company.

The Hartford Financial Services Group, Inc., known as "The Hartford", a United States company based in Connecticut, continues to work closely with the Company. This enables the Company to leverage the wider Hartford Group resources across a number function including Underwriting and Underwriting Operations, Actuarial, Finance, IT and Claims.

The Board is conscious that climate change is likely to significantly impact the global insurance and reinsurance market, risk assessment, selection and pricing in the future. The potential risk, frequency and severity of loss to insured parties is likely to increase. For an insurer, climate change presents a mix of opportunities and threats. As a result, the type and level of cover offered by the Syndicate in the future may vary to that offered at present. By its very nature, increasing global temperatures leading to rising sea levels from melting glaciers in the Antarctic and Greenland will result in an increase in variable and extreme wind related weather events, as well as flooding, drought, widespread fire damage and even pestilence and disease. The Board is aware that the consequential increase in loss of life, property, business interruption, increased political violence and litigation is likely to mean that pricing models will need to be adapted to take account of the resulting change in the natural as well as insurance and reinsurance environments. This is carefully considered within the Syndicate Business Forecast setting process.

In addition, investment losses have the potential to arise from exposure to industries perceived to be contributing to climate change. The Syndicate has a diversified investment portfolio, with limits on exposure to individual issuers. The Board's Investment Guidelines requires the Syndicate's investment managers to actively consider Environmental, Social and Governance issues ("ESG") as part of the ongoing assessment of the portfolio performance and risk. Additionally strict limits have been put in place relating to investments in those companies which generate revenues from coal and oil extracted from tar sands.

The Board will continue to work closely with the Board of Hartford Underwriting Agency Limited ("HUAL"), a fellow group subsidiary that manages the activities of the Syndicate to ensure the Company provides the services required by the Syndicate.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Strategic Report (continued)

### Business performance measures

The Company's key financial performance indicators during the year were as follows:

	2022	2021	Variance
Operating expenses	(12,518)	(54,084)	(76.9)%
Profit/(loss) on ordinary activities before taxation	27,335,149	(132,122)	(20789.3)%
Investments	122,195,104	122,195,104	—%
Dividend income as a return on investment	25%	—%	100.0%
Net assets	149,654,813	122,319,664	22.3%

The Company's profitability is dependent on receiving dividends from its subsidiaries. In 2022, NHUK received a dividend of £30m from HUAL. Expenses in 2022 decreased to £12.5k from £54.1k in 2021. The Company had pre-tax income £27.3m (2021: loss of £0.1m) in the year, which was driven by a dividend received from HUAL and unrealised loss on USD intercompany balance with its subsidiaries. The Company has net assets of £149.7m (2021: £122.3m). Investment in subsidiaries remained at the value of £122.2m.

### Principal risks and uncertainties

There is an established UK group enterprise-wide Risk Management Framework that identifies, assesses and manages the risks facing the Company, other UK group companies and the Syndicate. The Board of HUAL, a fellow Group subsidiary, has been tasked with this risk management. HUAL has established a Risk & Compliance Committee that meets regularly to assess the effectiveness of the Risk Management Framework and level of risk against appetite. The framework ensures that risks are proactively managed using a number of risk management techniques.

HUAL has a Chief Risk and Compliance Officer, with responsibilities for owning and developing the Risk Management Framework and its supporting methodologies and tools, ensuring they remain fit-for-purpose in response to changes within group companies, the Syndicate and the overall operating environment. Additionally the Chief Risk Officer is tasked with overseeing the identification, assessment and management of risk through the use of the Risk Management Framework and ensuring the quality of the outcome of these activities.

An overarching Risk Management Policy is in place, supported by a Risk Category Policy that identifies headline risk appetite, key controls and risk governance.

The principal risks and uncertainties faced by the Company are detailed below. Integration and process re-alignment with The Hartford commenced in June 2019 and has remained a key area of risk during 2022.

#### Credit Risk

- The risk of losses arising on outstanding contracts should a group counterparty default on its obligations or find other reasons for non-payment.
- This risk is mitigated as group companies and the Syndicate are managed on a unified basis.

#### Liquidity Risk

- The risk that there are insufficient cash resources to pay liabilities and commitments as they fall due.
- In order to mitigate this risk, the Company and wider group actively manages cash flows on a unified daily basis to ensure that the Company has sufficient funds.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Operational Risk

- The risk the Company suffers a loss as a result of inadequate or failed internal process, as a result of people's actions, system processes or external events.
- In order to mitigate this risk, HUAL ensures that material operational risks are identified and controls adopted to mitigate these risks, with oversight and challenge from the Risk & Compliance Committee.
- The integration with The Hartford is subject to careful project planning and continuing reporting to and monitoring by the Board.

#### Dependency Risk

- The Company is dependent primarily on the fortunes of the sole syndicate that it provides the majority of its services to.
- This risk is managed by careful business planning and close oversight by the Board.

#### Strategic Risk

- The risk that the Company's activities are adversely affected due to underwriting losses incurred in the Syndicate and or the UK Branch arising from an inappropriate or inadequate implementation of group strategy in those operations.
- Strategy is a matter reserved for the Board of HUAL and is monitored on an ongoing basis by both the Board and HUAL's Executive Leadership Team. Risk management is a fundamental aspect of formulating strategy.

#### Group Risk

- The risk that the ultimate parent company changes its strategy in a way that adversely affects the Company.
- The Hartford Financial Services Group, Inc. are in the process implementing new procedures for risk management.

#### Regulatory Risk (which is assessed for capital purposes within the Operational Risk category)

- The Company's subsidiaries are required to comply with the requirements of the Prudential Regulation Authority, Financial Conduct Authority, Regulatory risk is the risk of loss owing to changes in current regulatory requirements or the imposition of new requirements. Such changes could increase capital requirements, increase operational costs, reduce the profitability of business or change the competitive landscape.
- The Company employs a Compliance Officer, who monitors regulatory developments and assesses the impact on the Company and Syndicate. These activities form part of an annual plan which includes compliance reviews against established policies, processes and procedures.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Third Party Risk

- Globalisation has resulted in the third party risk landscape continuing to evolve and become complex, with vendors being located in different jurisdiction and increased data sharing with third parties partners.
- The Managing Agent has implemented or is committed to implement policies and procedures to allow us to manage the following risks:
  - Cyber security: security risk and threats across our cyber landscape
  - Financial stability: how financially viable are critical suppliers
  - Operational resilience: third parties ability to change or adapt during times of stress, disruption, or uncertainty
  - Technology risk: management of the oversight, integration and reliance upon new and existing solutions and vendors
  - Data protection/privacy: how and where sensitive information is stored and processed with third parties and how this is protected.

#### Social Change

- The risk that we do not attract the best talent which would have an adverse impact on the Syndicate results.
- This risk is mitigated by a combination of responses, including strategies that are aimed at increasing our gender and demographic diversity within the organisation.
  - The Board has set a goal of 35% of women in leadership positions, currently 27%
  - The Board has set a goal of 20% of women in a Board position, currently 23%
  - The Board has been measuring and tracking our employee demographic and new hires since the 4th quarter of 2020.

#### Climate Change

- The risk that significant changes in the climate have an adverse impact on the Syndicate and Company's results and ability to carry on their business activity.
- This risk is mitigated by a combination of responses, including operational strategies that are aimed at reducing the use of certain fossil fuels and carbon emissions, and environmentally friendly initiatives within our offices. Work continues in this space to assess and mitigate climate change, as we recognise the global impact of this issue.
- The Board is committed to managing and reducing the environmental impact of our business in a cost effective and responsible way.

#### Reputational Risk

- The risk of losses through deterioration of the Company's, its subsidiaries or the Syndicate's reputation due to a negative perception of any aspect of the business or business practices, whether true or not, which could result in a decline of its customer base or costly litigation, or a negative impact on its revenue.
- In order to manage this risk, the Company has put in place detailed policies and procedures for the effective and efficient management of complaints, and for ensuring that customers are treated fairly and Conduct Risk requirements are followed at all times. The Code of Ethics is reviewed and acknowledged annually by all employees and training is also mandated periodically on material laws and policies related to ethical behaviour. Regular dialogue is maintained with Navigators UK entities that are regulated by bodies such as the PRA and the FCA.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Ukraine

- The Board continues to pay close attention to the tragic events unfolding currently in Ukraine. A detailed review of existing and potential exposures to these events has been undertaken by management and a summary shared with the Board. We believe the exposure of our insurance subsidiaries to be \$35.7m liabilities and have no material exposure on investments at this stage, we continue to oversee management's careful attention to developments from both a loss activity and economic sanctions perspective.
- Management is also closely monitoring the risk of cyber-attack and has appropriately increased its level of preparedness in concert with The Hartford Group. To date, we have not seen any increased threat activity directed at the Company or its subsidiaries.

#### s.172 Statement by the Directors in performance of their statutory duties

The Board is conscious that in order to fulfil their ongoing responsibilities, due attention must be given to a wide range of key stakeholders, including The Hartford as ultimate parent, staff employed by the group, regulators, clients, third party suppliers, local communities and the environment. The Board is intuitively and continuously aware that virtually every decision made by them will impact one or more of these key stakeholders in varying degrees. In arriving at a decision, the potential impact of the most affected stakeholders is considered either in the submitted paper for discussion and approval, or as part of the general discussion leading to the approval.

The Board, both corporately and individually, consider that they have acted in good faith to promote the success of the Company for the benefit of the members as a whole. The Board is kept abreast of feedback from the various stakeholders via management and use this feedback to ensure that decision making is made in an informed manner, having regard to the impact on stakeholders and matters set out in s.172(1)(a-f) of the CA 2006. In particular:

- (a) The Directors, in making decisions have considered the long-term prospects of the Company. The Board has been informed that the 2023 plan for the Syndicate has been agreed with Lloyd's and that work is taking place on an on-going basis to increase the quality of the business being underwritten. This includes the withdrawal from loss making classes of business and focus on the areas where the Syndicate has strength and expertise.
- (b) In order for the Company as Holding Company to be successful, the employees, employed by a subsidiary company, are fundamental to the success of the plan. In order to mitigate any risks and allay any fears to staff, informal town hall type meetings are held on a regular basis where business updates are provided to staff and questions invited in an informal setting. In addition, all staff have access to the senior management of the Company, who pride themselves on their collaborative, open-door approachable style. The Directors regard this style as one of their core strengths and assists in staff retention. Staff development is encouraged by the provision of leadership programmes; annual objective setting that includes a review of training and development, and regular reviews between teams and line managers. The Company also regularly reviews salaries and benefits to ensure they are not out of alignment with the market.



# NAVIGATORS

HOLDINGS (UK) LIMITED

## Strategic Report (continued)

### s.172 Statement by the Directors in performance of their statutory duties (continued)

- (c) In order for the Company as holding company, HUAL as Managing Agent, and the Syndicate as underwriter, to be successful in the Lloyd's market, the maintaining of business and customer relationships is vital. Senior management and all levels of staff employed by the Company's subsidiary service company Hartford Management UK Limited ("HMUK") interact on a daily basis in a professional manner with Lloyd's, brokers, other insurers and reinsurers, service providers (such as data processing, claims management, IT infrastructure management) and insured parties. Interaction occurs as part of our day to day business, through face to face meetings, presentations, or other communications. We also listen to our clients and try to assess their requirements to create innovative products to meet their ever-changing needs. The same level of professionalism is also shown by staff working for NIIC and UK Branch.

The Board pays due regard to the ever changing technology environment. Employees of the Company are actively engaged in the various Future At Lloyd's work streams and is seeking to apply these to its own business model as relevant.

- (d) The Directors consider that the Syndicate to which it provides services, can have a positive impact on the environment and society at large. The process of underwriting encourages insured parties to consider and take steps to minimise their corporate and personal risks as well as provide financial compensation for catastrophic and other losses. The Directors are conscious that business activity may add to the increase in carbon emissions so staff are encouraged to consider their own footprint. This includes the use of videoconferencing that reduces the need to travel, home working where appropriate, the provision of recycling bins and the switching off of electrical equipment when leaving the office. Staff are also encouraged to take part in charitable activities, with the newly appointed Diversity and Inclusion Council actively promoting events throughout the year.
- (e) The Board and senior management team lead by example to set the level of professionalism expected from employees. High business standards are promoted by the Compliance department. Staff are regularly required to carry out online training covering topics such as GDPR, conflicts of interest and financial crime to ensure they are up to date with legislation. Many of these business conduct standards are set out in the Lloyd's Minimum Standards.
- (f) Having regard to all the above, the Directors are also aware that all members of the Company, whether employees engaged on Syndicate business or other group companies, need to be treated fairly in order to best facilitate the desired outcome of the chosen strategy. The open style of management adopted by the Directors facilitates employees to raise issues with managers so that appropriate steps can be taken to resolve issues as they rise.

Approved and authorised for issue by the Board of Directors

*Neil Farrer*

N J Farrer  
Director  
29 June 2023

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Directors' Report

The Board of Directors of Navigators Holdings (UK) Limited ("the Directors" or "the Board" of "the Company") present their report for the year ended 31 December 2022.

The Company is a company registered in England and Wales and has not produced group accounts as it is exempt by virtue of section 401 of the Companies Act 2006, as explained in Note 1, Basis of Preparation.

## Principal activity

The principal activity of the Company is to act as a holding company for UK subsidiaries of a USA based insurance group. The ultimate parent company is The Hartford Financial Services Group, Inc. ("The Hartford"). The Company's subsidiaries manage and support commercial and specialist underwriting business at Lloyd's through Syndicate 1221 ("the Syndicate"), in which the group has a 100% participation.

## Performance measures

The Company's key financial performance indicators during the year were as follows:

	2022	2021
	£	£
Profit/(loss) on ordinary activities before taxation	27,335,149	(132,122)
Investments	122,195,104	122,195,104
Net assets	149,654,813	122,319,664

The profit for the 2022 year was £27.3m (2021: loss of £0.1m). This is largely due to receiving a £30m dividend from HUAL (2021: nil), the Company actively manages its investments.

The Company has net assets of £149.7m (2021: £122.3m). The increase from the prior year is largely due to the dividend income received and the large intercompany balances. The Company's largest asset remains its investments in subsidiary undertakings.

## Directors

The Directors of the Company who served during the year or who are Directors as at the date of this report are as follows:

C L Bach III

N J Farrer

M R Fisher

## Dividends

The Directors received a £30m dividend from HUAL in 2022 (2021: £nil).

# NAVIGATORS

HOLDINGS (UK) LIMITED

## **Directors' Report (continued)**

### **Going Concern**

The Company's results are dependent on the performance of its subsidiary companies, in particular, Hartford Corporate Underwriters ("HCUL"), which has a 100% participation in Syndicate 1221 ("the Syndicate"), and Hartford Underwriting Agency Limited ("HUAL"), which manages the Syndicate. The Company received £30m dividend income from HUAL in 2022. The Company has adequate current assets to settle its liabilities as they fall due. The latest review of the carrying value of its subsidiaries indicate that the carrying values in these financial statements is appropriate. Furthermore, the Company has the continued support of The Hartford.

Having assessed the principal risks and having made enquiries, the Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

### **Future Developments**

The Company intends to continue its activities as a holding company. NIIC has been sold to Marco Capital during 2023. This will have no impact on the Company's net assets.

### **Post Balance Sheet events**

NIIC has been sold to Marco Capital the change of control completed on 31 May 2023.

### **Research and Development**

The Company does not engage in any research and development activity.

### **Branches outside the UK**

The Company does not have branches outside the UK.

### **Political and charitable donations**

The Company did not make any political or charitable donations in 2022 (2021: £nil).

### **Directors and Officers Protection**

The group maintains a Directors and Officers liability insurance policy that indemnifies the Directors of the Company if a claim is made against them in their capacity as a Director of the Company.

### **Re-appointment of Auditors**

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

The Managing Agent proposes the re-appointment of Deloitte LLP as the Syndicate auditor.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## **Directors' Report (continued)**

### **Disclosure of information to auditors**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved and authorised for issue by the Board of Directors

*Neil Farrer*

N J Farrer  
Director  
29 June 2023

# NAVIGATORS

HOLDINGS (UK) LIMITED

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Approved and authorised for issue by the Board of Directors

*Neil Farrer*

N J Farrer  
Director  
29 June 2023

# NAVIGATORS

HOLDINGS (UK) LIMITED

## **Independent Auditor's report to the shareholder Navigators Holdings (UK) Limited Report on the audit of the financial statements**

### **Opinion**

- In our opinion the financial statements of Navigators Holdings (UK) Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The Income Statement
- The Statement of Comprehensive Income
- The Statement of Financial Position
- The Statement of Changes in Equity
- The Related Notes 1 to 14.

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

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## **Responsibilities of directors**

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, and for such internal control as the directors 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.

## **Auditor's 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 auditor's 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- Had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- Reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Enquiring of management legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- Reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and

# NAVIGATORS

HOLDINGS (UK) LIMITED

- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## **Matters on which we are required to report by exception**

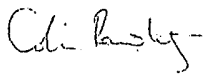
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

## **Use of our report**

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.



Colin Rawlings FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
29 June 2023



# NAVIGATORS

HOLDINGS (UK) LIMITED

## Income Statement

*For the year ended 31 December 2022*

	Notes	2022 £	2021 £
Operating expenses		(12,518)	(54,084)
Other losses		(2,652,333)	(78,038)
Dividend Income	5	30,000,000	—
Profit/(loss) on ordinary activities before taxation	3	27,335,149	(132,122)
Tax on profit/(loss) on ordinary activities	4	—	—
Profit/(loss) on ordinary activities after taxation		<u>27,335,149</u>	<u>(132,122)</u>

## Statement of Comprehensive Income

*For the year ended 31 December 2022*

	Notes	2022 £	2021 £
Profit/(loss) for the finance year		27,335,149	(132,122)
Total comprehensive income		<u>27,335,149</u>	<u>(132,122)</u>

The Company's expenses all relate to continuing operations.

There was no other comprehensive income.

The accompanying notes form part of these financial statements.

# NAVIGATORS

HOLDINGS (UK) LIMITED

Registered number 03434197

## Statement of Financial Position as at 31 December 2022

	Notes	2022 £	2021 £
<b>Fixed assets</b>			
Leasehold	8	—	1,269,033
Investments	9	<u>122,195,104</u>	<u>122,195,104</u>
		<b>122,195,104</b>	<b>123,464,137</b>
<b>Current assets</b>			
Debtors	10	<u>31,818,289</u>	<u>28,270,246</u>
Cash at bank and in hand		<u>1,503,956</u>	<u>234,678</u>
		<b>33,322,245</b>	<b>28,504,924</b>
<b>Creditors</b>			
Amounts falling due within one year	11	<u>(5,862,536)</u>	<u>(29,649,397)</u>
<b>Net current assets</b>		<u><b>27,459,709</b></u>	<u><b>(1,144,473)</b></u>
<b>Total assets less current liabilities</b>		<u><b>149,654,813</b></u>	<u><b>122,319,664</b></u>
<b>Capital and reserves</b>			
Called up share capital	12	<u>122,328,164</u>	<u>122,328,164</u>
Profit and loss account		<u>27,326,649</u>	<u>(8,500)</u>
<b>Shareholder's funds</b>		<u><b>149,654,813</b></u>	<u><b>122,319,664</b></u>

The financial statements on pages 17 to 26 were approved by the Board of Navigators Holdings (UK) Limited on 29 June 2023 and were signed on its behalf by

*Neil Farrer*

N J Farrer  
Director  
29 June 2023

Registration number 03434197

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Statement of Changes in Equity For the year ended 31 December 2022

	Share Capital	Profit & Loss Account	Total Equity
	£	£	£
Balance at 1 January 2022	122,328,164	(8,500)	122,319,664
Loss for the year	—	27,335,149	27,335,149
Balance at 31 December 2022	<u>122,328,164</u>	<u>27,326,649</u>	<u>149,654,813</u>

## For the year ended 31 December 2021

	Share Capital	Profit & Loss Account	Total Equity
	£	£	£
Balance at 1 January 2021	122,328,164	123,622	122,451,786
Loss for the year	—	(132,122)	(132,122)
Additional paid in capital	—	—	—
Balance at 31 December 2021	<u>122,328,164</u>	<u>(8,500)</u>	<u>122,319,664</u>

The accompanying notes form part of these financial statements on pages 20 to 26.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## **Notes to the financial statements** ***For the year ended 31 December 2022***

### **1. Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and under the historical cost accounting rules.

The financial statements have been prepared for the year ended 31 December 2022.

The financial statements are presented in Pounds Sterling (“GBP”) which is the Company’s functional currency.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of The Hartford Financial Services Group, Inc., within which this Company is included, can be obtained from the address given in note 13.

The Company’s ultimate parent undertaking, The Hartford Financial Services Group, Inc., includes the Company in its consolidated financial statements. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Related party transactions.

The Company’s results are dependent on the performance of its subsidiary companies, in particular, Hartford Corporate Underwriters (“HCUL”), which has a 100% participation in Syndicate 1221 (“the Syndicate”), and Hartford Underwriting Agency Limited (“HUAL”), which manages the Syndicate. The Company received £30m dividend income from HUAL in 2022. The Company has adequate current assets to settle its liabilities as they fall due. The latest review of the carrying value of its subsidiaries indicate that the carrying values in these financial statements is appropriate. Furthermore, the Company has the continued support of The Hartford.

Having assessed the principal risks and having made enquiries, the Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

### **2. Accounting policies**

#### **Other income**

Other income primarily comprises adjustments to intergroup balances.

#### **Dividend income**

Dividend income is that received from subsidiary companies and is recognised when the right to receive payment is established.

#### **Operating expenses**

Operating expenses comprise professional fees recognised on an accruals basis.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Notes to the financial statements

*For the year ended 31 December 2022 (continued)*

### 2. Accounting policies (continued)

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, (associates, branch, joint ventures) to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property except when the investment property has a limited useful life and the objective of the entity's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### Investments in group undertakings

Investments in group undertakings are stated at cost less accumulated provisions for impairment.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Office equipment - 5 years
- Computer equipment - 3 years
- Computer software – 3 -5 years
- Leasehold property improvements - 5 years
- Leasehold property - over the life of the lease
- Freehold property - 30 years
- Assets under construction - nil

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Notes to the financial statements

*For the year ended 31 December 2022 (continued)*

### 2. Accounting policies (continued)

#### Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Assets under construction comprises costs for IT and other projects that have been incurred but not yet completed. These assets are not depreciated. On completion, the costs are transferred to the appropriate fixed asset category and depreciated over their estimated useful life.

#### Identification and measurement of impairment of financial assets

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after initial recognition of an asset. The Company reviews its financial assets periodically to identify any assets which display evidence of impairment. Some of the factors considered in identifying impairment include: (1) whether the Company will be required to sell the investment prior to an anticipated recovery in value; (2) the likelihood of the recoveries in full of the principal and interest; (3) the financial condition, near-term and long-term prospects for the issuer; and (4) relevant industry conditions and trends, and implications of rating agency actions and offering prices.

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

#### Foreign exchange

Assets and liabilities expressed in foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date. Revenues and costs expressed in foreign currency are translated into sterling at the rate used at the date of the transaction.

All differences arising on the translation of the above items are dealt with in the profit or loss account.

### 3. Profit on ordinary activities before taxation

	2022 £	2021 £
Profit on ordinary activities before taxation is stated after charging:		
Provision for Impairment of NMUK	—	(16,271)
Audit of these financial statements	11,000	10,000

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Notes to the financial statements

For the year ended 31 December 2022 (continued)

### 4. Taxation

	2022	2021
	£	£
Current tax		
Tax on (profit) / loss on ordinary activities	<u>—</u>	<u>—</u>
Factors affecting tax charge		
(Loss)/profit before tax	<u>27,335,149</u>	<u>(132,122)</u>
Tax charge at 19.0% (2021 19.00%)	5,193,678	(25,103)
Effects of:		
Net adjustment for tax sensitive items		
Effects of group relief/ other reliefs	2,276	7,091
	504,046	14,921
Write-off of investment in subsidiary	—	3,091
Non-taxable dividend income	(5,700,000)	—
Current tax (charge) /credit for period	<u>—</u>	<u>—</u>

### Factors affecting future tax charges

The headline rate of corporation tax for the period was 19%.

The Finance Bill 2021, which was substantively enacted on 24 May 2021, included the increase in the headline rate of corporation tax from 19% to 25%, applicable from 1 April 2023. The substantively enacted rate has been used to in determining the appropriate value of any deferred tax recognised or disclosed as unrecognised in respect of timing differences.

The Company has provided for deferred tax of £nil (2021: £nil), and has no unrecognised timing differences. The Company has applied the future enacted rate of 25% in considered of timing differences as at 31 December 2022.

### 5. Dividend income

	2022	2021
	£	£
Dividend Income	30,000,000	—
	<u>30,000,000</u>	<u>—</u>

### 6. Staff costs

The Company had no employees during the year (2021: nil).

### 7. Directors

There were 3 Directors during the period (2021: 3 Directors). None of the directors received any emoluments in respect of their services as Directors of the Company (2021: nil).

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Notes to the financial statements

*For the year ended 31 December 2022 (continued)*

As at 31 December 2022 there were 2 Directors (2021: 2 Directors) in the defined contribution scheme operated by Hartford Management (UK) Limited, a subsidiary undertaking.

### 8. Leasehold fixed assets

	Leasehold Improvements	Leasehold	Total
	£	£	£
<b><u>Cost</u></b>			
Balance at 1 January 2022	69,617	1,530,304	1,599,921
Disposal	(69,617)	(1,530,304)	(1,599,921)
Balance at 31 December 2022	—	—	—
<b><u>Depreciation</u></b>			
Balance at 1 January 2022	69,617	261,271	330,888
Disposal	(69,617)	(261,271)	(330,888)
Balance at 31 December 2022	—	—	—
<b><u>Net book value</u></b>			
Balance at 31 December 2022	—	—	—
Balance at 31 December 2021	—	1,269,033	1,269,033

### 9. Investments in group undertakings and participating interests

	2022	2021
	Unlisted	Unlisted
	£	£
Shares in group undertakings at beginning of year	122,195,104	120,711,375
Impairment of NMUK	—	(16,271)
Additions	—	1,500,000
Shares in group undertakings at end of year	122,195,104	122,195,104



# NAVIGATORS

HOLDINGS (UK) LIMITED

## Notes to the financial statements

For the year ended 31 December 2022 (continued)

### 9. Investments in group undertakings and participating interests (continued)

Investments in group undertakings, which are all wholly owned for the current and prior period, are as follows:

Name	Country of Incorporation	Class of Shares held	Principal activity	Held directly or indirectly
Hartford Management (UK) Limited	England & Wales	Ordinary	Management Company	Directly
Hartford Corporate Underwriters Limited	England & Wales	Ordinary	Lloyd's Corporate Capital Vehicle	Directly
Hartford Underwriting Agency Limited	England & Wales	Ordinary	Lloyd's Managing Agent	Directly
Millennium Underwriting Limited	England & Wales	Ordinary	Lloyd's Corporate Capital Vehicle	Indirectly
Navigators Underwriting Limited	England & Wales	Ordinary	Lloyd's Service Company	Indirectly

All companies are registered to the same address as Navigators Holdings (UK) Limited registered office at 7<sup>th</sup> - 8<sup>th</sup> Floor, 6 Bevis Marks, London, EC3A 7BA,

### 10. Debtors

	2022	2021
	£	£
Due within one year:		
Amounts owed by group undertakings	31,818,258	28,270,245
Corporation tax payable to group undertakings	—	1
	<u>31,818,289</u>	<u>28,270,246</u>

Amounts owing to Group undertakings are unsecured, interest-free, and are payable on demand.

# NAVIGATORS

HOLDINGS (UK) LIMITED

## Notes to the financial statements

For the year ended 31 December 2022 (continued)

### 11. Creditors

	2022	2021
	£	£
Due within one year:		
Amounts owed to group undertakings	5,862,536	29,649,397
	<u>5,862,536</u>	<u>29,649,397</u>

Amounts owed from Group undertakings are unsecured, interest-free, and are payable on demand.

### 12. Share capital

	2022	2022	2021	2021
	Number of	Allotted, Issued	Number of	Allotted, Issued
	Ordinary Shares	and Fully Paid	Ordinary Shares	and Fully Paid
		£		£
Ordinary shares of £1 each	122,328,164	122,328,164	122,328,164	122,328,164

### 13. Related party transactions

The Company takes advantage of the partial exemption conferred by FRS 102.33.1A (Related Party Disclosures) on the grounds that 100% of the Company's voting rights are controlled within the Group and that the Company's results are included in the consolidated financial statements of The Hartford Financial Services Group, Inc. which are publicly available. Accordingly, transactions with entities that form part of the group are not disclosed.

### 14. Holding Company

The Company's ultimate holding company is The Hartford Financial Services Group, Inc., One Hartford Plaza, Hartford, CT 06155 a company incorporated in the USA.

The Hartford Financial Services Group, Inc is the smallest and highest group for which group accounts are prepared.

The consolidated accounts for The Hartford Financial Services Group, Inc. are available from Navigators Holdings (UK) Limited's registered office at 7<sup>th</sup> - 8<sup>th</sup> Floor, 6 Bevis Marks, London, EC3A 7BA.