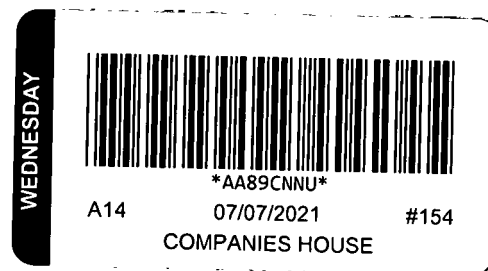


NAVIGATORS

HOLDINGS (UK) LIMITED



Annual Report and Financial Statements

31 December 2020
Registration number: 03434197

NAVIGATORS

HOLDINGS (UK) LIMITED

Contents

Directors and administration	3
Directors' Report	4
Statement of Directors' Responsibilities in respect of the directors' report and the financial statements	8
Independent Auditor's report to the shareholder of Navigators Holdings (UK) Limited	9
Income Statement	11
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the financial statements	14

NAVIGATORS

HOLDINGS (UK) LIMITED

Directors and administration

Directors

C L Bach III
N J Farrer
M R Fisher
V C Tizzio

Registered office

7-8th Floor, 6 Bevis Marks
London,
EC3A 7BA

Registered number

03434197

Company Profile

Private company limited by share capital
Registered in England and Wales

Statutory Auditor

Deloitte LLP, London

Solicitors

Norton Rose Fulbright LLP, London

Bankers

Barclays plc.
Societe Generale S A

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 2020.

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.

On a stand-alone basis, the Company qualifies as a small company for the purpose of determining whether or not a Strategic Report is required. The Company has therefore not produced a Strategic Report.

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:

	2020	2019
	£'000	£'000
(Loss) on ordinary activities before taxation	(2,888,340)	(106,889)
Investments	120,711	100,435
Dividend income as a return on investments	-%	-%

The loss for the year was £2.9m (2019: loss of £107k). The main drive of this is due to the provision for impairment of Navigators Management (UK)Limited ("NMUK").

Although no dividends were received in the year (2019: nil), the Company actively manages its investments and is confident that dividend income will be received in the near future.

The Company has net assets of £125.2m (2019: £102.3m). The increase from 2019 arises from the issue of 22,992,590 Ordinary shares of £1 to the immediate parent. The funds raised by this increase have been invested in its subsidiary, Navigators Corporate Underwriters Limited ("NCUL"), in order to provide additional capital required by the Syndicate to support its underwriting activities. 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
M J Casella
N J Farrer
M R Fisher
V C Tizzio

Dividends

The Directors do not propose a dividend for the year (2019: £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, NCUL, which has a 100% participation in the Syndicate, and Navigators Underwriting Agency Limited ("NUAL"), which manages the Syndicate. Although the Company has not received any dividend income from its subsidiaries in 2019 or 2020, the Company has adequate current assets to settle its liabilities as they fall due, even after making a loss in 2020 due to the impairment of NMUK. The latest review of the carrying value of its subsidiaries indicate that the carrying values in these financial statements is appropriate after taking into consideration of the impact of the intention to close the European branches in 2021. Furthermore, the Company has the support of The Hartford, as evidenced by the increase in issued share capital both during 2019 and 2020.

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.

The Board has considered the Covid-19 pandemic that is currently having a global impact. The Company has adequate financial resources and a robust business continuity plan in place that is functioning well. To date the crisis has had a limited financial impact on the Company and Syndicate. The Board will continue to monitor the development of the crisis from a social, political and economic standpoint and look to adapt its strategy, where necessary, as the long-term impacts become clearer.

Future Developments

The Company intends to continue its activities as a holding company. However, we do plan to close down our European company Navigators N.V. and branches in Navigators Underwriting Limited during 2021 as a result of Brexit. This will have no impact on the company's net assets.

Principal risks and uncertainties

The Company has established a robust enterprise-wide risk management framework to identify, assess and manage the risks faced by it and its subsidiaries. The framework ensures that risks are proactively managed using a number of risk management techniques, which helps assess threats to objectives.

The principal risks and uncertainties faced by the Company are as follows:

Strategic Risk

- The risk of incurring losses resulting from an inappropriate strategy being set or the inadequate implementation of strategy.
- Strategy is a matter reserved for the Board and monitored on an ongoing basis by both the Board and the Executive Leadership Teams of its subsidiaries. Risk management is a fundamental aspect of formulating strategy.

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 behavior. Regular dialogue is maintained with Navigators UK entities that are regulated by bodies such as the PRA and the FCA.

NAVIGATORS

HOLDINGS (UK) LIMITED

Directors' Report (continued)

Principal risks and uncertainties (continued)

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.

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.

COVID-19

- During 2020, the Risk Management Framework focused on the assessment and management of risks related to the global pandemic. Risks were assessed across all of the categories detailed above, such as market, operational and underwriting, including all underwriting divisions.
- A number of risk management techniques were utilised to help understand and manage the risk, from standard risk assessments to detailed business continuity planning and stress and scenario testing. Regular updates of the key risks were reported to and overseen by the Risk & Compliance Committee

Brexit

- Under the European Union Withdrawal Act 2020, insurance undertakings in the UK were authorised to access business located in the EEA on a "freedom of services" or under the "right of establishment" through the EU passporting system, until the transition period ended by default on 31 December 2020. Once the UK left the EU, Lloyd's underwriters lost their passporting right and do not have authority to carry on (re)insurance business for risks located in the EEA and Monaco.
- Lloyd's established a new insurance company based in Brussels (Lloyd's Insurance Company S.A., known as Lloyd's Brussels), to underwrite non-life insurance and facultative reinsurance risks located in EEA countries with effect from 1 January 2019.

Post Balance Sheet events

There are no subsequent events to note at the date of the approval of the accounts.

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 but has a subsidiary located in Belgium.

Political and charitable donations

The Company did not make any political donations in 2020 (2019: £nil). Charitable donations of £nil (2019: £nil) were made during the period.

NAVIGATORS

HOLDINGS (UK) LIMITED

Directors' Report (continued)

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.

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
01 July 2021

NAVIGATORS

HOLDINGS (UK) LIMITED

Statement of Directors' Responsibilities in respect of the directors' report and the financial statements

The Directors are responsible for preparing 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 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; and
- 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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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
01 July 2021

NAVIGATORS

HOLDINGS (UK) LIMITED

Independent Auditor's Report to the member of 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 2020 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; and
- 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

NAVIGATORS

HOLDINGS (UK) LIMITED

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.

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. 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 frameworks 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. This included UK Companies Act; 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. These included regulatory solvency requirements.

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;

NAVIGATORS

HOLDINGS (UK) LIMITED

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and 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, reviewing internal audit reports and reviewing correspondence Lloyd's.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and from the requirement to prepare a strategic report.

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.



Adam Ely FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
01 July 2021

NAVIGATORS

HOLDINGS (UK) LIMITED

Statement of Profit or Loss account For the year ended 31 December 2020

	Notes	2020 £	2019 £
Operating expenses		(2,694,778)	(127,507)
Other income		—	1
Other losses		(193,562)	20,617
(Loss) on ordinary activities before taxation	3	(2,888,340)	(106,889)
Tax on profit on ordinary activities	4	—	—
(Loss) for the financial year		<u>(2,888,340)</u>	<u>(106,889)</u>

Statement of Comprehensive Income For the six months ended December 30, 2020

	Notes	2020 £	2019 £
(Loss) for the financial year		(2,888,340)	(106,889)
Total Comprehensive income		<u>(2,888,340)</u>	<u>(106,889)</u>

The Company's turnover and expenses all relate to continuing operations.

The accompanying notes form part of these financial statements.

NAVIGATORS

HOLDINGS (UK) LIMITED

Statement of Financial Position as at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Leasehold	7	1,306,357	1,343,681
Investments	8	<u>120,711,375</u>	<u>100,435,816</u>
		<u>122,017,732</u>	<u>101,779,497</u>
Current assets			
Debtors	9	29,945,680	405,725
Cash at bank and in hand		<u>238,063</u>	<u>239,264</u>
		<u>30,183,743</u>	<u>644,989</u>
Creditors: amounts falling due within one year	10	(29,749,688)	(76,949)
Net current assets		<u>434,054</u>	<u>568,041</u>
Total assets less current liabilities		<u>122,451,786</u>	<u>102,347,538</u>
Capital and reserves			
Called up share capital	11	122,328,164	99,335,574
Profit and loss account		<u>123,622</u>	<u>3,011,964</u>
Shareholder's funds		<u>122,451,786</u>	<u>102,347,538</u>

The financial statements on pages 12 to 21 were approved by the Board of Navigators Holdings (UK) Limited on 28 June 2021 and were signed on its behalf by

Neil Farrer

N J Farrer
Director
01 July 2021

Registration number: 03434197

NAVIGATORS

HOLDINGS (UK) LIMITED

Statement of Changes in Equity For the year ended 31 December 2020

	Share Capital	Profit & Loss Account	Total Equity
	£	£	£
Balance at 1 January 2020	99,335,574	3,011,962	102,347,536
(Loss) for the year	—	(2,888,340)	(2,888,340)
Additional paid in Capital	22,992,590	—	22,992,590
Balance at 31 December 2020	<u>122,328,164</u>	<u>123,622</u>	<u>122,451,786</u>

For the year ended 31 December 2019

	Share Capital	Profit & Loss Account	Total Equity
	£	£	£
Balance at 1 January 2019	8,639,282	3,118,852	11,758,134
(Loss) for the year	—	(106,889)	(106,889)
Additional paid in Capital	90,696,292	—	90,696,292
Balance at 31 December 2019	<u>99,335,574</u>	<u>3,011,963</u>	<u>102,347,537</u>

The accompanying notes form part of these financial statements.

NAVIGATORS

HOLDINGS (UK) LIMITED

Notes to the financial statements *For the year ended 31 December 2020*

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 2020.

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 14.

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.

As explained in the Directors' Report, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, the Company has the support of The Hartford, as evidenced by the increase in issued share capital both during 2019 and 2020. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements..

The following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the Company's financial statements, except as noted below.

2. Accounting policies

Use of judgements and estimates in preparing these financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The Directors do not consider any of these judgements, estimates or assumptions to be critical or significant.

NAVIGATORS

HOLDINGS (UK) LIMITED

Notes to the financial statements *For the year ended 31 December 2020*

Notes to the financial statements at 31 December 2020 (continued)

2. Accounting policies (continued)

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.

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.

NAVIGATORS

HOLDINGS (UK) LIMITED

Notes to the financial statements *For the year ended 31 December 2020 (continued)*

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

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:

- Leasehold Improvements 5 years
- Leasehold Building 41 years
- Office equipment 5 years
- Fixture and fittings 5 years

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.

A full year's depreciation is charged in the year of acquisition. No depreciation is charged in the year of disposal.

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.

NAVIGATORS

HOLDINGS (UK) LIMITED

Notes to the financial statements

For the year ended 31 December 2020 (continued)

3. Profit on ordinary activities before taxation

	2020 £	2019 £
Profit on ordinary activities before taxation is stated after charging:		
Provision for Impairment of NMUK	2,717,030	—
Audit of these financial statements	8,000	8,000

4. Taxation

	2020 £	2019 £
Current tax		
Tax on profit on ordinary activities	—	—
Factors affecting tax charge on Profit before tax	(2,888,340)	(106,889)
Tax charge at 19.00% (2019: 19.00%)	(548,785)	(20,309)
Effects of:		
Expenses / (income) not deductible / (non-taxable)	523,328	9,738
Effects of group relief / other reliefs	25,457	10,730
Movement in unrecognised deferred tax	—	(159)
Current tax charge for period	—	—

Factors affecting future tax charges

The Finance Act 2016 (enacted on 15 September 2016) reduced the UK tax rate from 19% to 17% from 1 April 2020. Accordingly, the effects of these changes were reflected in the financial statements for the year ended 31 December 2019. The Finance Bill 2020, which was substantively enacted on 17 March 2020, included the cancellation of the reduction from 19% to 17% from 1 April 2020. As this rate change was substantively enacted after the end of the previous reporting period, deferred taxes at the balance sheet date were measured at the enacted tax rate of 17%.

The Company has provided for deferred tax of £nil (2019: £nil), and has no unrecognised timing differences. The Company has applied the enacted rate of 19% in considered of timing differences as at 31 December 2020.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year-end date, deferred tax has been calculated based on the prevailing rate of 19%. The estimated impact of the new 25% rate on the deferred tax asset recognised would be £nil.

NAVIGATORS

HOLDINGS (UK) LIMITED

Notes to the financial statements

For the year ended 31 December 2020(continued)

5. Staff Costs

The Company had no employees during the year. (2019: nil).

6. Directors

There were 4 Directors during the period (2019: 4 Directors). None of the directors received any emoluments in respect of their services as Directors of the Company (2019: nil).

As at 31 December 2020 there were 2 Directors (2019: 2) in the defined contribution scheme operated by Navigators Management (UK) Limited, a subsidiary undertaking.

7. Leasehold fixed assets

	Leasehold Improvements £	Leasehold £	Total £
Cost			
Balance at 1 January 2020 and 31 December 2020	69,617	1,530,304	1,599,921
Depreciation			
Balance at 1 January 2020	69,617	186,623	256,240
Charge for period		37,324	37,324
Balance at 31 December 2020	69,617	223,947	293,564
Net book value			
Balance at 31 December 2020	(0)	1,306,357	1,306,357
Balance at 31 December 2019	(0)	1,343,681	1,343,681

8. Investments in group undertakings and participating interests

	2020 Unlisted £	2019 Unlisted £
Shares in group undertakings at beginning of year	100,435,815	9,739,523
Impairment of NMUK	(2,717,030)	—
NCUL Capital injection	22,992,590	90,696,292
Shares in group undertakings at end of year	120,711,375	100,435,815

NAVIGATORS

HOLDINGS (UK) LIMITED

Notes to the financial statements

For the year ended 31 December 2020 (continued)

8. 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
Navigators Management (UK) Limited	England & Wales	Ordinary	Management Company	Directly
Navigators Corporate Underwriters Limited	England & Wales	Ordinary	Lloyd's Corporate Capital Vehicle	Directly
Navigators Underwriting Agency Limited	England & Wales	Ordinary	Lloyd's Underwriting 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
Navigators N.V.	Belgium	Ordinary	Lloyd's Service Company	Indirectly

All companies are registered to the same address as Navigators Holdings (UK) Limited as stated in Note 12, except Navigators N.V, which is registered at Entrepotkai 5, 2000 Antwerp, Belgium.

9. Debtors

	2020 £	2019 £
Due within one year:		
Amounts owed by group undertakings	29,945,679	405,722
Corporation tax payable to group undertakings	1	3
	<u>29,945,680</u>	<u>405,722</u>

The company intercompany balances do not state any terms or conditions.

NAVIGATORS

HOLDINGS (UK) LIMITED

Notes to the financial statements

For the year ended 31 December 2020 (continued)

10. Creditors

	2020	2019
	£	£
Due within one year:		
Amounts owed to group undertakings	29,749,688	12,229
Accruals and deferred income	—	64,720
	<u>29,749,688</u>	<u>76,950</u>

The company intercompany balances do not state any terms or conditions.

11. Share capital

	2020	2020	2019	2019
	Number of	Allotted, Issued	Number of	Allotted, Issued
	Ordinary Shares	and Fully Paid	Ordinary Shares	and Fully Paid
		£		£
Share Capital	122,328,164	122,328,164	99,335,574	99,335,574

12. 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. Ultimate 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 7th - 8th Floor, 6 Bevis Marks, London, EC3A 7BA.