Swiss Re Specialty Insurance (UK) Limited
Annual Report 2007

Company Registration No 186919

Contents

Directors and Officers

Board of Directors as at 28 March 2008		
	Tim Carroll	Chairman
	Nikolaj Beck	
	Alberto Izaga	Resigned 3 June 2007
	Michael Lyons	Appointed 17 July 2007

Company Secretary	Sarah Lewis	Appointed 1 January 2008
	Tracey Poole	Resigned 21 December 2007

Registered Office	30 St Mary Axe London EC3A 8EP Telephone 020 7933 3000 Fax 020 7933 5000
Auditors	PricewaterhouseCoopers LLP Hay's Galleria 1 Hay s Lane London SE1 2RD
Company Registration Number	1867359

Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2007

Principal activity
The principal activity of the Company is the transaction of all classes of general insurance business

Results and Dividends
The results for the year are set out on pages 10 and 11

The retained loss on ordinary activities after tax in 2007 amounted to £548,000 (2006 £602,000 loss)

The Directors recommend that no dividends be declared on the ordinary shares for 2007 (2006 £nil)

Business Review
During 2007 the Swiss Re Group announced its intention to optimise its legal entity structure in the European Union by forming two legal entities, based in Luxembourg, which will serve as risk carriers for most of its European reinsurance and insurance business, operating via branches in the rest of the EU The new legal structure will result in more efficient capital management, administration and reporting

As a result of this group restructure, the Company's parent company, Swiss Reinsurance Company UK Limited, transferred its shareholding of the Company to Swiss Re Europe S A , a subsidiary of Swiss Re Management Luxembourg SA (SRML), under a scheme pursuant to Part VII of the Financial Services & Markets Act 2000 on 1 January 2008

Business Environment
The Company operates in the highly competitive international business insurance market This market is diverse, without a single dominant participant Business is traditionally introduced via intermediaries although the Company is structured to develop its own business relationships and so direct placement with clients does occur

Contracts written are generally of 12 months duration These are subject to competitive tendering on renewal This can lead to volatility in business volume, particularly as pricing is cyclical, driven by the relationship of claims to premiums and the entry of capital to write new business The performance of the Company is intrinsically linked to impacts arising from catastrophic natural events (floods, wind storms etc) and man-made disasters (fire, accident damage, bodily injury, professional and product liability etc) The Company has in place tools to assist the assessment of risks acquired and the calculation of the associated premiums for assuming those risks

Business Strategy
The business strategy is to offer specialised insurance products by sharing our unique risk management capabilities with clients The Company allows clients to transfer risk, make efficient use of capital and execute competitive business strategies

Swiss Re's business goals are to ensure sustainable earnings growth and to pursue high quality business rather than volume for volume's sake This is further supported by continually expanding the scope and range of services we provide to clients in all lines of business and regions Swiss Re's strategic direction focuses on four key objectives to deliver enhanced sustainable return for shareholders

- Generate economic profit growth,
- Reduce earnings volatility,
- Enlarge market scope, and
- Advance organisational excellence

In the UK, the global strategic objectives have been embedded in all activities, helping us to further improve our economic efficiency, as well as seeking opportunities, whether organically or through acquisitions, for profitable growth in our insurance and reinsurance markets

Future Outlook
The Company operates in a mature but very active market Annual contracts renew throughout the year with a bias towards the 2nd and 3rd quarters of the year In future the Company will not be used to underwrite new risks but will continue running off existing business

We do not envisage that the change in ownership will have a significant impact on the Company's clients as the local operation's business structure and market approach remains unchanged The existing local operation will continue to have responsibility for its business activities and the Directors expect the business to continue in line with the current strategy of the Swiss Re Group

Principal Risks & Uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks The key business risks affecting the Company are set out below Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them

Insurance risk refers to fluctuation in the timing, frequency and severity of insured events, relative to the expectations at the time of underwriting Insurance risk can also refer to fluctuations in the timing and amount of claim settlements Specific examples of insurance risk include variations in the amount of frequency of claims or the unexpected occurrence of multiple claims arising from a single cause

The Company manages its exposure to insurance risk by use of reinsurance, predominately from the Swiss Re Group

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price Market risk typically comprises currency risk, interest rate risk and equity price risk Equity price risk is the risk that arises from changes in market prices and these may be caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market Market risk is managed by investing in a well diversified portfolio of assets and, where appropriate, across both asset categories and geographical exposures The risk is monitored by the Finance and Risk Committee

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

- Exposure to corporate bonds,
- Reinsurer's share of insurance liabilities,
- Amounts due from reinsurers in respect of claims already paid, and
- Amounts due from insurance contract holders

The Company places limits on its exposures to any single counterparty and to geographical and industry segments

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost

The Company holds the vast majority of its financial investment assets in listed investments These are readily realisable in a relatively short period of time thus reducing overall liquidity risk

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events Within the Company this is wide ranging and can cover risks arising from policy issues, general processing or functionality errors, data, financial modelling and corporate tax, business continuity and outsourcing The Company monitors operational risk through routine management information and internal audits

Risk management

The risk management framework of the SRGB Group, is established in accordance with Swiss Re's overall risk management framework and relevant guidelines

The ultimate responsibility for the Company's risk management principles and policies lies with its Board of Directors, which is also responsible for approving the overall risk tolerance The committee of the Board that deals with risk management issues is the Finance and Risk Committee Group Internal Audit monitors the internal control framework

The Board has ultimate responsibility for risk management and is required to approve the overall risk framework for the Company, including risk policies, and review and approve the identification and prioritisation of all material risks facing the business, ensuring that arrangements are put in place to control those risks

The Swiss Re GB Plc Audit Committee is responsible for satisfying itself that a proper internal control framework to manage risks is in place throughout its group of companies and that controls are demonstrated to operate effectively

Key Performance Indicators
Performance during the current year together with historical trend data is set out below

KPI	2007	2006	
Gross Written Premiums £'000	2,465	15,130	Gross premiums written before outwards reinsurance
Gross Loss Ratio	189%	6%	Ratio of gross claims incurred to gross earned premiums
Gross Combined Ratio	196%	(14%)	Ratio of gross claims incurred, commissions and expenses to gross premiums earned
Net Underwriting Result £'000	(1,814)	(374)	Balance on technical account for general business
Shareholder's Funds £'000	24,128	24,676	Value of shares in issue plus profit and loss account and revaluation account
Minimum Capital Requirement £'000	2,406	2,406	Amount required for FSA regulatory purposes

Directors
The names of the Directors who served during the year up to 31 December 2007 are listed on page 3, together with those who served up to the date of signing the financial statements

Statement of Directors' responsibilities
The following statement should be read in conjunction with the auditors' report set out on pages 8 and 9, with a view to distinguishing for shareholders the respective responsibilities of the Directors and auditors in relation to the financial statements

Company law requires the Directors to prepare financial statements for each financial year which 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 those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year,
- make judgements and estimates that are reasonable and prudent,

Directors' Report

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors confirm that the financial statements comply with the above requirements and also confirm that

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Suppliers
The Company has no external suppliers as all services are provided by other group companies All external expenses incurred by the Company are settled by inter-company recharges

Charitable and Political donations
No donations were made for charitable or political purposes during the year (2006 £nil)

Auditors
PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly a resolution to propose their re-appointment will be submitted at the annual general meeting

On behalf of the Board

Michael Lyons

Michael Lyons
Director
28 March 2008

Independent Auditors' Report

To the Members of Swiss Re Specialty Insurance (UK) Limited
We have audited the financial statements of Swiss Re Specialty Insurance (UK) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Equalisation provisions
Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation provisions in respect of general insurance business The nature of equalisation provisions, the amounts set aside at 31 December 2006, and the effect of the movement in those provisions during the year on shareholders' funds, the balance on the general business technical account and profit before tax, are disclosed in note 16

Independent Auditors' Report

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 March 2008

Profit and Loss Account
Technical Account – General Business

For the year ended 31 December 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Earned premiums, net of reinsurance					
Continuing activities		-		4,721	
Discontinued activities		2,465		10,409	
Gross premiums written	2	2,465		15,130	
Outward reinsurance premiums		(2,184)		(13,654)	
Net premiums written		281		1,476	
Change in the gross provision for unearned premiums	17	4,566		997	
Change in the provision for unearned premiums, reinsurers' share	17	(4,109)		(897)	
Net change in the provision for unearned Premiums		457		100	
Earned premiums, net of reinsurance			**738**		**1,576**
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(24,593)		(38,197)	
Reinsurers' share		22,538		34,891	
Net claims paid		(2,055)		(3,306)	
Change in the provision for claims					
Gross amount	17	11,287		39,239	
Reinsurers' share	17	(11,637)		(36,973)	
Net change in the provision for claims		(350)		2,266	
Claims incurred, net of reinsurance			**(2,405)**		**(1,040)**
Change in equalisation provision	17		**66**		**(66)**
Net operating expenses	3		**(213)**		**(844)**
Balance on the technical account for general business					
Continuing activities	2	-		(62)	
Discontinued activities	2	(1,814)		(312)	
			(1,814)		**(374)**

All of the above arise from discontinued activities

Profit and Loss Account
Non Technical Account

For the year ended 31 December 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Balance on the general business technical account			**(1,814)**		**(374)**
Investment income	1(h), 5	1,043		1,147	
Unrealised gains on investments	5	149		1,129	
Investment expenses and charges	5	(191)		(1,714)	
Net investment return			**1,001**		**562**
Other income/(charges)	9		64		(1,041)
Loss on ordinary activities before tax	6		**(749)**		**(853)**
Tax on loss on ordinary activities	8		201		251
Loss on ordinary activities for the financial year after tax			**(548)**		**(602)**

All of the above derives from discontinued activities There are no gains and losses arising, other than those reported above

The notes on pages 14 to 23 form an integral part of these financial statements

Balance Sheet

As of 31 December 2007

Assets

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Investments					
Other financial investments	10	9,080		9,727	
Deposits with ceding undertakings		201		170	
			9,281		**9,897**
Reinsurers' share of technical provisions					
Provision for unearned premiums	17	776		5,034	
Claims outstanding	17	64,343		77,748	
			65,119		**82,782**
Debtors					
Debtors arising out of direct insurance operations		2,706		4,766	
Debtors arising out of reinsurance operations	11	4,459		25,881	
Other debtors	12	455		251	
			7,620		**30,898**
Other assets					
Cash at bank			**13,716**		**5,598**
Prepayments and accrued income					
Accrued interest		171		273	
Deferred acquisition costs	13	141		1,051	
			312		**1,324**
Total assets			**96,048**		**130,499**

Balance Sheet

As of 31 December 2007

Liabilities	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Capital and reserves					
Called up share capital	14	18,000		18,000	
Profit and loss account	15	6,128		6,676	
Equity shareholders' funds	16		**24,128**		**24,676**
Technical provisions					
Provision for unearned premiums	17	862		5,593	
Claims outstanding	17	68,655		81,762	
Equalisation provision	17	-		66	
			69,517		**87,421**
Deposits received from reinsurers			**-**		**476**
Creditors					
Creditors arising out of direct insurance operations		1,200		36	
Creditors arising out of reinsurance operations	18	843		15,734	
Other creditors including taxation and social security	19	233		1,210	
			2,276		**16,980**
Accruals and deferred income	13		**127**		**946**
Total liabilities			**96,048**		**130,499**

The financial statements on pages 10 to 23 were approved by the Board of Directors on 28 March 2008 and were signed on their behalf by

Michael Lyons

Michael Lyons
Director

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice of Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006) The accounting policies adopted reflect UK financial reporting standards and statements of accounting practice applicable at the end of the financial year, as considered appropriate for an insurance company

The Company is exempt from preparing a cash flow statement in accordance with Financial Reporting Standard 1, Cash Flow Statements (FRS 1), as it is included by full consolidation in the consolidated financial statements of Swiss Reinsurance Company, registered in Switzerland

In accordance with Financial Reporting Standard 3, Reporting Financial Performance (FRS 3), the Company is exempt as an insurance company, from the requirement to include a note of historical cost profit and losses

In accordance with Financial Reporting Standard 8, Related Party Disclosures (FRS 8), the Company is exempt, as a wholly owned subsidiary, from the requirement to disclose transactions with entities that are part of Swiss Re or investees of Swiss Re qualifying as related parties

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements

b) Premiums

General business premiums written reflect business incepted during the year and include adjustments to premiums written in prior financial periods and estimates for pipeline premiums

Outward reinsurance premiums, commissions and claims are accounted for in the same financial period as the premium for the related inwards reinsurance business

c) Unearned premiums

The provision for unearned premium comprises the amount representing that part of gross premiums which is estimated to be earned in the following or subsequent financial years Treaty risk attaching business is earned over 24 months Facultative and treaty non-risk attaching business is earned over 12 months reflecting the nature of the relevant risk profile

d) Acquisition costs

Acquisition costs comprise the expenses, both direct and indirect, of acquiring insurance policies written during the financial year Acquisition costs, which relate to a subsequent financial year are deferred and charged to the accounting periods in which the related premiums are earned Deferred acquisition costs represent the proportion of acquisition costs incurred, which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date

e) General business technical provisions

Provision is made for the estimated cost of claims outstanding at the end of the financial year, including those incurred but not reported at that date, and for the related costs of settlement Claims incurred comprise amounts paid or provided in respect of claims occurring during the current financial year, together with the amount by which settlement or reassessment of claims from previous financial years differs from the provision at the beginning of the financial year

Such provisions, although not capable of precise assessment, are made in the light of information made available by cedants, statistically based projections and technical judgement These are the subject of on-going review and any resulting adjustments are reported in the financial year in which they are identified Further details of adjustments made to prior years' provisions are shown in note 4

1 *Accounting policies (continued)*

f) Claims provisions and related reinsurance recoveries

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

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience as adjusted to reflect changes in the underlying exposures

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including

- changes in Company or cedant processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- changes in the claims, social, economic and legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims

Where possible the Company adopts multiple techniques to estimate the required level of provisions This assists in giving greater understanding of the trends inherent in the data being projected, and the range of possible outcomes The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year

Provisions are calculated gross of any reinsurance recoveries A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability

Notes to the Financial Statements

1 *Accounting policies (continued)*

Property and accident business

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

Liability claims

Liability claims are longer tail than the classes of business described above and so a larger element of the claims provision relates to incurred but not reported claims Claims estimates for the Company's liability business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a formula whereby greater weight is given to actual claims experience as time passes The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as exposure changes, premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique The assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort This class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date

Reinsurance recoveries

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies

Equalisation provision

Amounts are set aside as equalisation provisions in accordance with the FSA's Handbook for the purpose of mitigating exceptionally high loss ratios in future years The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date Notwithstanding this, they are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions

g) Investments

Listed investments are stated at bid price value on the balance sheet date, or on the last stock exchange trading day before the balance sheet date

h) Investment return

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges

Realised gains and losses arise from the difference between proceeds and cost Unrealised investment gains and losses are reported in the profit and loss account and are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current year's profit and loss account

Notes to the Financial Statements

1 *Accounting policies (continued)*

i) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange prevailing at the balance sheet date with the exception of non monetary items which are maintained at historic rates Revenue transactions denominated in foreign currencies are translated into Sterling at average rates of exchange for the year Profits and losses arising from the fluctuation are included in the non technical account

j) Taxation

Taxation in the non-technical account is based on profits and income for the period as determined in accordance with the relevant tax legislation together with adjustments to provisions for prior periods

Provision is made for deferred tax liabilities in accordance with the provisions of Financial Reporting Standard 19, Deferred Tax (FRS 19) Full provision has been made for deferred tax on material assets and liabilities arising on timing differences

Deferred tax is calculated at the rates at which it is expected that the tax will arise and is recognised in the profit and loss account for the period, except to the extent it is attributable to a gain or loss recognised directly in the statement of total recognised gains and losses In this case the attributable deferred tax is shown separately in the statement of total recognised gains and losses The provision for deferred tax is not discounted

Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is, when it is considered more likely than not that there will be sufficient, suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

2 **Segmental information for general business**

	Fire and other damage to property	Third party liability	Marine & Aviation	Miscellaneous and pecuniary loss	Reinsurance Acceptance	Total
	2007 £'000	2007 £'000	2007 £'000	2007 £'000	2007 £'000	2007 £'000
Gross premiums written	**9**	**68**	**2,277**	**11**	**100**	**2,465**
Gross premiums earned	559	68	6,267	37	100	7,031
Gross claims incurred	(7,923)	(3,649)	(5,636)	444	3,458	(13,306)
Gross operating expenses	(108)	(43)	(309)	2	(45)	(503)
Gross balance	**(7,472)**	**(3,624)**	**322**	**483**	**3,513**	**(6,778)**
Reinsurance balance	6,525	3,207	(862)	(456)	(3,516)	4,898
Net balance	**(947)**	**(417)**	**(540)**	**27**	**(3)**	**(1,880)**
Change in equalisation provision						66
Balance on the technical account						**(1,814)**

All of the above arose from discontinued activities

2 *Segmental information for general business (continued)*

	Fire and other damage to property	Third party liability	Marine & Aviation	Miscellaneous and pecuniary loss	Reinsurance Acceptance	Total
	2006 £'000	2006 £'000	2006 £'000	2006 £'000	2006 £'000	2006 £'000
Gross premiums written	**1,891**	**182**	**12,749**	**188**	**120**	**15,130**
Gross premiums earned	1,535	182	14,052	233	125	16,127
Gross claims incurred	(2,407)	6,814	(14,503)	(205)	11,343	1,042
Gross operating expenses	(292)	(55)	(2,854)	(31)	(19)	(3,251)
Gross balance	**(1,164)**	**6,941**	**(3,305)**	**(3)**	**11,449**	**13,918**
Reinsurance balance	1,230	(6,649)	2,640	29	(11,476)	(14,226)
Net Balance	**66**	**292**	**(665)**	**26**	**(27)**	**(308)**
Change in equalisation provision						(66)
Balance on the technical account						**(374)**

All of the above arose from discontinued activities except for

	Gross premium written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Aviation	4,721	5,086	(2,693)	(816)	(1,639)	(62)

The majority of gross premium written in both years has been written in the UK therefore no geographical analysis is necessary

3 Net operating expenses

	2007 £'000	2006 £'000
Acquisition costs	(597)	2,861
Change in deferred acquisition expenses	968	269
Administrative costs	132	121
Gross operating expenses	**503**	**3,251**
Reinsurance commissions and profit participation	(290)	(2,407)
Net operating expenses	**213**	**844**

The net operating expenses of £213,145 contain £nil related to continuing activities (2006 £239,251)

Notes to the Financial Statements

4 Prior years' claim provisions for general business

The under\(over) provision for claims at the beginning of the year considering payments and provisions at the end of the year in respect of prior years' claims was exclusively on facultative business and amounted to £2,324,669 (2006 £671,707)

	2007 £'000	2006 £'000
Property	984	(28)
Casualty	361	(326)
Marine	980	1,026
	2,325	**672**

5 Investment return summary

	2007 £'000	2006 £'000
Investment income		
Income from investments	963	1,122
Gains on the realisation of investments	80	25
	1,043	**1,147**
Unrealised gains on investments	**149**	**1,129**
Investment expenses and charges		
Losses on the realisation of investments	**(191)**	**(1,714)**
Total investment return	**1,001**	**562**

6 Loss on ordinary activities before tax

This is stated after charging

	2007 £'000	2006 £'000
Auditors' remuneration		
Audit services		
Fees payable for the audit of the company financial statements	**40**	**20**
Non – audit services		
Other services pursuant to legislation, including the audit of the regulatory return	**13**	**7**

All administration, staff and pension costs, including audit fees, have been incurred by Swiss Re Services Ltd, a fellow subsidiary undertaking, and all staff have service contracts with that company Swiss Re Services Ltd has made a management charge to the Company for its share of these costs

7 Directors' emoluments

The Directors received no emoluments during 2007 in respect of this Company (2006 £nil)

Notes to the Financial Statements

8 Taxation

	2007 £'000	2006 £'000
UK corporation tax at 30% (2006 30%)		
Current tax on income for the period	227	251
Adjustments in respect of prior periods	(26)	-
Current tax credit for the period	**201**	**251**

Factors affecting the tax charge for the period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £'000	2006 £'000
Non-technical account		
Loss on ordinary activities before tax	**(749)**	**(853)**
Adjustments in respect of prior periods	26	-
Loss on ordinary activities multiplied by standard rate of corporate tax in the UK of 30% (2006 30%)	(225)	(256)
Expenses not deductible for tax purposes	(2)	18
Imputed interest benefit arising from S107 FA 2000 reserves	-	(13)
Current tax credit for the period	**(201)**	**(251)**

9 Other income and charges

	2007 £'000	2006 £'000
Exchange	59	(1,041)
Other	5	-
	64	**(1,041)**

10 Other financial investments

	Market value 2007 £'000	Cost 2007 £'000	Market value 2006 £'000	Cost 2006 £'000
Debt securities and other fixed income securities	9,080	9,292	9,727	10,090

	2007 £'000	2006 £'000
Included in the above were investments		
Listed on the UK Stock Exchange	-	6,754
Listed on overseas Stock Exchanges	9,080	2,973
	9,080	**9,727**

11 Debtors arising out of reinsurance operations

	2007 £'000	2006 £'000
Group undertakings	3,503	25,066
Non group undertakings	956	815
	4,459	**25,881**

Notes to the Financial Statements

12 Other debtors

	2007 £'000	2006 £'000
Current tax asset	452	251
Other	3	-
	455	**251**

13 Deferred Acquisition Costs

	2007 £'000	2006 £'000
Gross amount	141	1,051
Reinsurance amount	(127)	(946)
Net amount	**14**	**105**

14 Share capital

	2007 £'000	2006 £'000
Authorised		
18,000,000 £1 ordinary shares	18,000	18,000
Allotted called up and fully paid		
18,000,000 £1 ordinary shares	18,000	18,000

15 Profit and loss reserves

	2007 £'000	2006 £'000
At 1 January	6,676	7,278
Retained loss for the year	(548)	(602)
At 31 December	**6,128**	**6,676**

16 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
At 1 January	**24,676**	**25,278**
Loss for the financial year	(548)	(602)
At 31 December	**24,128**	**24,676**

Notes to the Financial Statements

17 Technical Provisions

	Provision for unearned premiums £'000	Claims outstanding £'000	Equalisation provision £'000	Total £'000
Gross				
At 1 January 2007	**5,593**	**81,762**	**66**	**87,421**
Exchange	(165)	(1,820)	-	(1,985)
Movement in provision	(4,566)	(11,287)	(66)	(15,919)
At 31 December 2007	**862**	**68,655**	-	**69,517**
Reinsurance				
At 1 January 2007	**5,034**	**77,748**	-	**82,782**
Exchange	(149)	(1,768)	-	(1,917)
Movement in provision	(4,109)	(11,637)	-	(15,746)
At 31 December 2007	**776**	**64,343**	-	**65,119**
Net				
At 31 December 2007	**86**	**4,312**	-	**4,398**
At 1 January 2007	**559**	**4,014**	**66**	**4,639**

An equalisation provision has been established in accordance with the requirements of PRU 7 5 This provision which is in addition to the provisions required to meet the anticipated ultimate cost of settlement of claims outstanding at the balance sheet date is required by Schedule 9A to the Companies Act 1985 to be included within the technical provisions in the balance sheet notwithstanding that it did not represent liabilities at the balance sheet date The effect of this reduction in provision is to increase the shareholders' funds by £66,000 (2006 decrease of £66,000) The decrease in the provision during the year had the effect of increasing the balance on the technical account for general business and the profit on ordinary activities before taxation by £66,000 (2006 decrease of £66,000)

18 Creditors arising out of reinsurance operations

	2007 £'000	2006 £'000
Group undertakings	739	11,686
Non group undertakings	104	4,048
	843	**15,734**

19 Other creditors including taxation and social security

	2007 £'000	2006 £'000
Due to group undertakings	229	-
Other creditors	4	1,210
	233	**1,210**

Notes to the Financial Statements

20 United States trust fund

A trust fund amounting to £8,990,770 (2006 £7,662,859) in the name of the Company was held throughout the year as security for future liabilities on insurance contracts for statutory and other purposes

21 Post Balance Sheet Events

As noted in the Directors' Report, the Company's immediate parent company , Swiss Reinsurance Company UK Limited, transferred its shareholding in the Company to Swiss Re Europe S A in accordance with Part VII of the Financial Services and Markets Act 2000 on 1 January 2008

22 Immediate and ultimate parent company

The Company's immediate parent company was Swiss Reinsurance Company UK Limited, registered in England and Wales at 31 December 2007 Following the Part VII transfer on 1 January 2008, the immediate parent company is now Swiss Re Europe S A, registered in Luxembourg

The parent undertaking of the largest group of undertakings for which Group consolidated accounts are drawn up and the ultimate parent company is Swiss Reinsurance Company, registered in Switzerland Its accounts may be obtained by applying to the Company Secretary of Swiss Reinsurance Company at the following address

Mythenquai 50/60
P O Box 8022
Zurich
Switzerland