

**ERGO UK SPECIALTY LIMITED**

**Report and Financial Statements**

**31 December 2019**



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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Dirk Niemann

**SECRETARY**

Johanna Griffin

**REGISTERED OFFICE**

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London  
EC3M 3AJ

**AUDITOR**

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London E14 5GL

**BANKER**

National Westminster Bank PLC  
1 Princes Street  
London  
EC2R 8PA

## **STRATEGIC REPORT**

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

Despite the profit in the previous year, the development of the Company's business during the year and the position at the end of the year were worse than originally forecast. The loss for the year was (£177,894) (2018: profit £183,670) and the net assets at year-end are £2,059,124 (2018: £1,287,018).

In the 2019 financial year the Company entered into binding authority agreements with Great Lakes Insurance SE ("GLISE") and ERGO Versicherung AG, UK Branch (for ATE business, although no new ATE policies were underwritten during the year). In addition, the Company entered into a number of new service level agreements with other group companies.

#### **Strategic Objectives**

The directors are satisfied with the results for the year. The main strategic objective in 2019 was to ensure that, in anticipation of Brexit, the Company would be ready to commence administering European business on behalf of ERGO Versicherung AG with effect from April 2019, and that it had appropriate processes and procedures in place to recommence underwriting new UK business on GLISE paper. This objective was achieved despite the Brexit date being postponed – initially to 31<sup>st</sup> October 2019 and subsequently to 31<sup>st</sup> January 2020.

#### **Key Performance Indicators**

The overall performance in 2019 was worse than budgeted at the start of the year predominantly due to the delayed shift of UK business from ERGO Versicherung AG UK Branch paper to GLISE paper. Turnover was £1,170,008 (2018: £731,762). Profit before taxation decreased by (£448,593) from a profit before taxation of £229,099 to a loss before taxation of (£219,494).

#### **Company Position**

Equity shareholders' funds increased by £772,106 (60%) from £1,287,018 to £2,059,124.

#### **Monthly average number of employees (excluding directors)**

The average number of employees was 3 during the year to 31 December 2019 (2018: 2), with 5 employees in total by year-end. These individuals have been employed to get the business fit-for-purpose for its future planned activities. Other services are performed by Ergo Versicherung AG, UK Branch staff and cross-charged to the Company as per the service level agreements in place.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company's operating activities are exposed to various operational, financial, legal and regulatory risks. These include the key risk factors summarised below. The company manages these risks within a key risk and control framework ensuring that they are mitigated where possible.

#### **Legal and Regulatory Risk**

The Company is exposed to potential claims and litigation arising out of the ordinary course of business relating to alleged errors and omissions, or non-compliance with laws and regulations. The director is satisfied, based on present information and assessed probability of claims, that the Company has adequate insurance to meet such claims. However, like all businesses of our type, the risk exists that an increase in future claims for errors and omissions could have a material effect on the Company's reported results.

#### **Financial Risks**

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

## STRATEGIC REPORT (Continued)

### *Currency risk*

The Company is exposed to currency risk in respect of assets and liabilities denominated in currencies other than Sterling. Due to the nature of insurance broking balances, the Company is able to largely mitigate this risk by matching the currencies in which insurance broking assets and liabilities are held.

### *Credit risk*

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Full risk transfer mitigates this risk to the Company.

### *Liquidity and cash flow risk*

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when they fall due. The Company has put in place appropriate financial and cash flow management structures so that it is able to anticipate demand for cash and meet obligations as they arise. The Company operates in a high cash flow business and the controls in place over insurance funds help to ensure that the Company has appropriate cash resource to meet its obligations as they fall due.

### *Interest Rate Risk*

The Company's operating income is subject to the risk that interest rate fluctuations have on the interest earned on the Company's own funds and insurance balances.

### **Operational Risk**

Operational risk is the risk of loss due to factors such as inadequate systems and internal controls, management failure, fraud and human error. The Company mitigates these risks through a system of internal controls, internal audit and compliance functions, back-up procedures, contingency planning and insurance.

The Board has ultimate responsibility for the system of internal control maintained by the Company to manage operational, regulatory and financial risks.

### **Group Risk**

In 2019 the Company entered into a binding authority agreement with GLISE to provide underwriting capacity for the UK business that will be gradually shifted from ERGO Versicherung AG UK Branch paper to GLISE paper. This shift commenced in 2019 with one client transferring to GLISE paper towards the end of the year. The Company has also been reliant upon the requirements of ERGO Versicherung AG UK Branch to provide underwriting capacity for the in-house after the event legal expenses ("ATE") business, although (as already mentioned) no new ATE business was written during the year, the Company having decided in 2018 to withdraw from the ATE market. The Company mitigates these risks by ensuring close cooperation with GLISE and the ERGO UK Branch at all times, providing regular reporting on all business.

### **Brexit**

The Company's medium to long term future is inextricably bound up with what its parent company, ERGO Versicherung AG ("ERGO"), and the wider Munich RE Group, have decided about continuing to do business in the UK after the UK's exit from the European Union. Significant changes to the Company's operations began to come into effect during 2019, and will continue in succeeding years, as part of a Munich RE Group internal restructuring project necessitated by Brexit. Further details are provided below.

### *Statement of Future Plans*

- The Company has commenced acting as a Managing General Agent for new business of all the classes previously and currently underwritten by ERGO's UK Branch, with the exception of ATE insurance, to be written via coverholders on the paper of GLISE, another Munich RE Group subsidiary; this process will be completed during 2020. ATE business is excepted because of the 2018 decision, referred to above, to cease writing this class.
- The Company will re-assume responsibility in relation to the run-off of that part of the portfolio of business which it transferred to the ERGO UK Branch at the end of 2014, by providing claims management services (or supervising coverholders who provide such services).

## **STRATEGIC REPORT (Continued)**

- All relevant assets and liabilities held by the ERGO UK Branch will in due course, but before the Branch is formally closed, be transferred back to the Company, and all employees of the ERGO UK Branch will be moved back to the Company pursuant to the TUPE Regulations.

The major impact of the above changes will be that the volume of business transacted by the Company will increase materially during 2020, to encompass most of the business underwritten by the ERGO UK Branch up to the end of 2019 (but not Irish business, which was transferred from the UK Branch to ERGO's head office in Düsseldorf with effect from 1<sup>st</sup> April 2019). There will be a further increase with effect from the beginning of 2021 because the Brexit "implementation" period (during which EEA passporting arrangements continue in effect and ERGO may still write UK risks via its UK Branch) is due to end on 31<sup>st</sup> December 2020; at that point, the ERGO UK Branch will cease underwriting new business and its remaining business will be transferred to the Company under the arrangements described above.

In addition to the expanded business referred to above, the Company will continue to administer the run-off of all in-force policies written by the ERGO UK Branch.

### **Covid-19**

From an operational perspective, all employees are able to work on Company business from home and have been doing so since the beginning of the lockdown period in the UK which began on 23 March 2020. The Company has been able to manage and administer its business virtually as normal, with staff working from their remote working locations. It is envisaged that this can continue until the UK government decides to ease restrictions.

From a financial perspective, the Company has carried out reverse stress testing and analysed three different scenarios in which turnover is reduced to varying degrees as a result of the Covid-19 pandemic. These scenarios were generated by the Underwriting and Claims teams based on their expert knowledge of the business and the market in which the Company operates. These scenarios range from worst case scenario through to a realistic assessment of the likely impact. In all scenarios analysed the business had sufficient net assets to cover potential losses.

## **STATEMENT PURSUANT TO SECTION 172 (1) COMPANIES ACT 2006**

In performing his duty to promote the success of the Company in accordance with section 172 of the Act, the Director has had regard to the matters set out in section 172(1), as outlined below:

- The Company has considered the likely consequences in the long term when determining its post-Brexit plans, ensuring that it is still able to continue relationships with coverholders, underwrite UK business on GLISE paper and administer European business written on ERGO Versicherung AG paper going forward.
- During the Company's post-Brexit planning, its coverholders and the impact of any changes on them have remained of the utmost importance. The Company has been able to ensure that its future plans would meet the needs of its coverholders.
- Given the Company's small headcount, it has been its practice to consult both individually and collectively with employees on matters affecting their interests.
- The Company has ensured that the regulator has been fully informed about its post-Brexit plans and the expected future impact on the Company.
- The nature of the company's business means that it has limited if any interaction with members of the community who are not engaged in the insurance market. The Company considers its impact on the environment when possible, through the encouragement of paperless working and the promotion of recycling of waste in its offices.
- The Company adheres to the Munich Re Group Code of Conduct, a set of clearly defined rules, applicable to all employees of Munich Re (including ERGO) Group companies. The Code of Conduct promotes a consistent, ethical, sustainable and lawful corporate culture across the entire Group, therefore demonstrating the Company's desire to maintain a reputation for high standards of business conduct, along with the rest of the Group.

**STRATEGIC REPORT (Continued)**

**EVENTS AFTER THE END OF THE REPORTING PERIOD**

There are no adjusting events after the end of the reporting period to declare.

Approved by the Board of Directors  
and signed on behalf of the Board on 13 May 2020

A handwritten signature in black ink, appearing to read 'D. Niemann', written in a cursive style.

D Niemann  
Chairman

## **DIRECTORS' REPORT**

The director presents the annual report and the audited financial statements for the year ended 31 December 2019 for ERGO UK Specialty Limited formerly known as Three Lions Underwriting Limited ('the Company') (registered number 4516776).

### **PRINCIPAL ACTIVITY**

The Company's principal activity is that of an underwriting agency.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's operating activities are exposed to various operational, financial, legal and regulatory risks. These include the key risk factors summarised above in the Strategic Report.

### **GOING CONCERN**

In considering the appropriateness of the going concern basis, the Directors have undertaken a risk assessment of the potential impact of the COVID-19 pandemic on the Company's expected future operational and financial performance and capital position. The risk assessment considered a range of possible scenarios for a period of up to one year from the date of this report, taking account of the operational actions currently being taken to mitigate the risk to the Company's employees and customers and to maintain business as usual operations to the extent possible. Based upon their own analysis of the available information, and as further disclosed in the Basis of Preparation in Note 1 to the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **DIVIDEND**

The amount that the director recommends should be paid by way of a dividend was £nil (2018: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The present director and the director who served during the year are set out on page 1.

The director does not have any interests in the shares of the Company.

The Company maintains cover for the risk of errors and omission at a level considered by the Board to be appropriate and which satisfied its regulators. The Director benefits from a group wide qualifying third party indemnity provision, which was in place during the financial year and at the date of this report.

### **POLITICAL DONATIONS**

There were no political donations during the year (2018: £nil).

### **DISCLOSURE OF INFORMATION TO AUDITOR**

The director who held office at the date of approval of this directors' report confirm that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **AUDITOR**

KPMG LLP will be subject to mandatory rotation after the 2019 year end and therefore the Group CFO, in conjunction with Munich Re Group, took part in a tender process being conducted for the audit services for the ERGO Versicherung AG Group. Following a rigorous process and approval by the Audit Committee, ERGO UK Specialty is pleased to announce that it will appoint EY as its auditor for financial periods incepting on or after January 2020. KPMG LLP will resign as auditor following completion of the 31 December 2019 audit.

Approved by the Board of Directors  
and signed on behalf of the Board on 13 May 2020



D Niemann  
Chairman



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, 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 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; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERGO UK SPECIALTY LIMITED**

### **Opinion**

We have audited the financial statements of Ergo UK Specialty Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and Directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERGO UK SPECIALTY LIMITED**

- 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 these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**David Maddams (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

13 May 2020

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2019**

	Notes	2019	2018
		£	£
<b>TURNOVER</b>	2	1,170,008	731,762
Other operating income		5,280	5,653
Administrative expenses		(1,394,782)	(508,316)
<b>OPERATING (LOSS)/PROFIT BEFORE TAXATION</b>	3	(219,494)	229,099
Tax credit/(charge) on loss on ordinary activities	5	41,600	(45,429)
<b>(LOSS)/PROFIT AFTER TAXATION</b>		<u>(177,894)</u>	<u>183,670</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the year, net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(177,894)</u>	<u>183,670</u>

**CONTINUING OPERATIONS**

Turnover and operating profit derive from continuing operations.

The notes on pages 14 to 21 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2019**

	Notes	2019	2018
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	6	4,026	-
<b>CURRENT ASSETS</b>			
Debtors	7	513,159	381,586
Cash at bank and in hand	8	2,784,984	2,438,922
		3,298,143	2,820,508
<b>CREDITORS: amounts falling due within one year</b>	9	(1,243,045)	(1,533,490)
<b>NET CURRENT ASSETS</b>		2,055,098	1,287,018
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,059,124	1,287,018
<b>NET ASSETS</b>		2,059,124	1,287,018
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,000,000	50,000
Profit and loss account		1,059,124	1,237,018
<b>EQUITY SHAREHOLDERS' FUNDS</b>		2,059,124	1,287,018

The Board of Directors approved these financial statements on 13 May 2020.

Signed on behalf of the Board of Directors



D Niemann  
Chairman

The notes on pages 14 to 21 form part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2019**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2019</b>	50,000	1,237,018	1,287,018
Increase in share capital	950,000	-	950,000
Profit/(Loss) for the year	-	(177,894)	(177,894)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(177,894)	(177,894)
<b>At 31 December 2019</b>	<u>1,000,000</u>	<u>1,059,124</u>	<u>2,059,124</u>
 <b>At 1 January 2018</b>	 50,000	 1,053,348	 1,103,348
Profit/(Loss) for the year	-	183,670	183,670
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	183,670	183,670
<b>At 31 December 2018</b>	<u>50,000</u>	<u>1,237,018</u>	<u>1,287,018</u>

The notes on pages 14 to 21 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**Year ended 31 December 2019**

	2019	2018
	£	£
<b><i>Operating activities</i></b>		
Profit/(Loss) for the year	(177,894)	183,670
<i>Adjustments for:</i>		
Depreciation	1,548	-
Interest receivable and similar income	(5,381)	(5,516)
Taxation	(41,600)	45,429
	<u>(223,327)</u>	<u>223,583</u>
(Increase)/decrease in trade and other debtors	(129,311)	(32,627)
Increase/(decrease) in trade and other creditors	<u>(290,445)</u>	<u>(1,911,658)</u>
	(419,756)	(1,944,285)
Tax paid/(refund)	39,338	30,595
<b><i>Net cash inflow/(outflow) from operating activities</i></b>	<u><b>(603,745)</b></u>	<u><b>(1,690,107)</b></u>
<b><i>Investing activities</i></b>		
Interest received	5,381	5,516
Payments to acquire fixed assets	(5,574)	-
Receipts from sales of intangible fixed assets	-	-
<b><i>Net cash inflow/(outflow) from investing activities</i></b>	<u><b>(193)</b></u>	<u><b>5,516</b></u>
<b><i>Financing activities</i></b>		
Interest paid	-	-
Proceeds from issuing ordinary shares at £1 each	950,000	-
<b><i>Net cash inflow/(outflow) from financing activities</i></b>	<u><b>950,000</b></u>	<u><b>-</b></u>
Increase/(decrease) in cash and cash equivalents	346,062	(1,684,591)
Effect of exchange rates on cash and cash equivalents	-	-
<b>Cash and cash equivalents at 1 January</b>	<u><b>2,438,922</b></u>	<u><b>4,123,513</b></u>
<b>Cash and cash equivalents at 31 December</b>	<u><b>2,784,984</b></u>	<u><b>2,438,922</b></u>

The notes on pages 14 to 21 form part of these financial statements.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**1. ACCOUNTING POLICIES**

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

**Statement of compliance**

ERGO UK Specialty (formerly known as Three Lions Underwriting Limited) "the Company" is a limited liability company incorporated in England. The Registered Office is Munich Re Group offices, Plantation Place, 3rd Floor, 30 Fenchurch Street, London, EC3M 3AJ.

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102" as issued on March 2018).

**Basis of preparation**

The financial statements were authorised for issue by the Board of Directors on 13 May 2020. The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company.

All amounts in the financial statements have been rounded to the nearest £1.

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out above and in the Strategic report. The Company's Statement of financial position shows net current assets of £2,055,098 and net assets of £2,059,124.

In considering the appropriateness of the going concern basis, the Directors have undertaken a risk assessment of the potential impact of the Covid-19 pandemic on the Company's expected future operational and financial performance. The risk assessment considered a range of possible forward looking scenarios for a period of over 12 months from the date of this report, taking account of actions already taken to mitigate the risks to the Company's employees and operations, as well as actions available in the future as needed. Based upon this analysis and the available information, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Cash flow statement**

As per FRS 102 3.17(d) requirement to present a statement of cash flows for the reporting period this has been included above, prior to the accounting policies. The Company has calculated its cash flows using the indirect method (FRS102.7.8).

**Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**Turnover**

Turnover represents commissions receivable from underwriters on whose behalf the Company binds insurance risks. Where the Company has contractual obligations to perform post placement activities, an appropriate portion of the commission is deferred to future periods and recognised over the period over which contractual obligations are performed.

**Profit Commission**

Profit commission is taken to income when the right to profit commission is achieved and is capable of reliable measurement. Any adjustments are dealt with in subsequent periods.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Taxation**

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

The company anticipates future year's results to be in profit rather than loss therefore the deferred tax asset will be covered. Deferred tax assets and liabilities are not discounted.

**Financial assets and liabilities**

FRS 102 Section 11 and 12 in full have been applied in accounting for all Company's financial instruments. Trade and other debtors and creditors are recognised initially at transaction price, including transaction costs. Transaction costs are added to the amount recognised initially for financial assets and deducted from the amount recognised initially for financial liabilities.

FRS102 Section 11 adopts a rules based approach to the classification of financial instruments as "basic" or "other". The Company has only "basic" instruments, therefore subsequent to initial recognition they are measured at amortised cost using the effective interest method applied to expected future cash flows over the expected life of the instrument. Short term debt instruments (receivable or payable within one year) that are not financing transaction are measured at their undiscounted amounts receivable or payable.

Financial assets are derecognised when the contractual rights to cash flow expire, are settled or are transferred and the transfer meets certain conditions. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

**Trade debtors and creditors**

Insurance intermediaries usually act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions

Other than the commission due to the Company, no recognition of the insurance transactions occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

**Foreign currencies**

Assets and liabilities in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date. Differences arising on the translation of such items are dealt with in the profit and loss account.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**2. TURNOVER**

Turnover is derived from the principal activity of acting as an underwriting agency.

**3. OPERATING PROFIT**

Operating profit is stated after charging:	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Amounts receivable by the auditor and their associates in respect of: Audit of these financial statements pursuant to legislation	24,962	26,071
Depreciation of tangible fixed assets	<u>1,548</u>	<u>-</u>

**4. DIRECTORS AND EMPLOYEES**

**Staff costs (including directors)**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages, salaries and bonuses	399,427	173,009
Social security costs	52,165	22,377
Defined contribution pension scheme contributions	6,178	6,000
Other staff costs	<u>521</u>	<u>569</u>
	<u>458,291</u>	<u>201,955</u>

The aggregated emoluments shown above include all directors. There were £6,178 outstanding pension contributions as at 31 December 2019 (2018 – £6,000). All members of staff have transferred on 1st of January 2015 to Ergo Versicherung UK Branch. Services are performed by Ergo Versicherung AG, UK Branch staff and cross-charged to the Company as per the service agreement in place. During 2019 three additional members of staff have been employed.

**Monthly average number of employees**

The average number of employees was 3 during the year to 31 December 2019 (2018: 2).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**5. TAXATION**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in the year</b>		
UK corporation tax		
Current tax (credit)/charge	(41,984)	44,834
Adjustments in respect of previous periods	-	-
Total current tax	<u>(41,984)</u>	<u>44,834</u>
Deferred tax		
Origination and reversal of timing differences	384	595
Effect of decreased tax rate on opening liability	-	-
Total deferred tax	<u>384</u>	<u>595</u>
Tax on profit on ordinary activities	<u>(41,600)</u>	<u>45,429</u>
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Factors affecting tax charge for the year</b>		
Profit/(Loss) before tax	<u>(219,494)</u>	<u>229,099</u>
Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	(41,704)	43,529
Effects of:		
Difference between depreciation and capital allowances	-	-
Disallowed expenditure	104	1,900
Effects of change in rate of tax	-	-
Adjustments in respect of previous periods	-	-
Total tax charge/(credit) for the year	<u>(41,600)</u>	<u>45,429</u>

The prior year amounts in the 'factors affecting tax charge for the year' have been updated to ensure comparability with the current year amounts.

**Factors affecting future tax charges**

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. At Budget 2020 the government announced that the reductions due 1 April 2020 would no longer take effect and the UK corporation tax rate would remain at 19%.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**5. TAXATION (CONTINUED)**

<b>Movement in deferred taxation asset</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Balance at the beginning of the year	2,710	3,305
Deferred tax credit in Statement of Comprehensive Income	(384)	(595)
	<u>2,326</u>	<u>2,710</u>
Balance at the end of the year (see note 7)	<u>2,326</u>	<u>2,710</u>
 <b>Composition of deferred taxation asset</b>	 <b>2019</b>	 <b>2018</b>
	<b>£</b>	<b>£</b>
Depreciation in excess of capital allowances	<u>2,326</u>	<u>2,710</u>

**6. TANGIBLE FIXED ASSETS**

	<b>Leasehold improvements</b>	<b>Furniture, fixtures &amp; fittings</b>	<b>Computer Equipment</b>	<b>Office machinery</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 31 December 2018	-	-	-	-	-
Additions	-	-	5,574	-	5,574
Disposals	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>5,574</u>	<u>-</u>	<u>5,574</u>
At 31 December 2019	<u>-</u>	<u>-</u>	<u>5,574</u>	<u>-</u>	<u>5,574</u>
<b>Accumulated depreciation</b>					
At 31 December 2018	-	-	-	-	-
Charge for the period	-	-	1,548	-	1,548
Disposals	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,548</u>	<u>-</u>	<u>1,548</u>
At 31 December 2019	<u>-</u>	<u>-</u>	<u>1,548</u>	<u>-</u>	<u>1,548</u>
<b>Net book value</b>					
At 31 December 2019	<u>-</u>	<u>-</u>	<u>4,026</u>	<u>-</u>	<u>4,026</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**7. DEBTORS**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Prepayments and accrued income	459,561	330,250
Deferred tax asset (see note 5)	2,326	2,710
Corporation tax receivable	51,272	48,626
	<u>513,159</u>	<u>381,586</u>

**8. CASH AT BANK AND IN HAND**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Insurance accounts	922,845	1,314,188
Other accounts	1,862,139	1,124,734
	<u>2,784,984</u>	<u>2,438,922</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Trade creditors - fellow subsidiary	912,392	1,303,741
- others	-	-
Other creditors including taxation and social security	109,909	19,607
Accruals and deferred income	220,744	210,142
	<u>1,243,045</u>	<u>1,533,490</u>

£3,000 of profit commission for the 2003 underwriting year is repayable to GLISE. This amount has been included in Other creditors including taxation and social security.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**10. CALLED UP SHARE CAPITAL**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
1,000,000 ordinary £1 shares	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
<b>Called up, allotted, and fully paid:</b>		
1,000,000 ordinary £1 shares	1,000,000	50,000
	<u>1,000,000</u>	<u>50,000</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2019**

**11. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS**

The ultimate parent company and the parent company of the largest and smallest group of companies into which the company is consolidated is Münchener Rückversicherungs-Gesellschaft AG ("Munich Re"). Copies of Munich Re's financial statements are available from Königinstrasse 107, 80802 München, Germany.

The parent company is ERGO Versicherung AG, with the registered address ERGO-Platz 1, Düsseldorf, North Rhine Westphalia, 40477, Germany.

The Company has entered into a binding authority agreement with GLISE under which the Company earned a commission of £195,348 during the year (2018: £311,605), this commission is earned under an arms-length agreement. The Company and GLISE are both controlled by Munich Re.

The Company also has a binding authority agreement with ERGO Versicherung AG UK Branch for ATE business, under which the Company was paid commission of £nil during the year (2018: £429,999), this commission is earned under an arms-length agreement.

During the year the Company has received remuneration under a number of arms-length service level agreements with other group entities:

The Company received £602,160 (2018: £nil) from ERGO Versicherung AG in management recharges for administering European business written by ERGO Versicherung AG with effect from 1<sup>st</sup> April 2019;

The Company received £145,684 (2018: £nil) from JRP Insurance Management Ltd in management recharges;

The Company received £154,637 (2018: £nil) from ERGO Versicherung AG UK Branch in management recharges.

During the year the Company paid Bell & Clements Limited £nil (2018: £nil) in management charges under an arms-length service agreement. There was a balance due to Bell & Clements Limited at the end of the year of £140 in respect of items paid for by Bell & Clements Limited (2018: £136).

During the year the Company paid ERGO Versicherung AG UK Branch £229,801 (2018: £224,552) in management recharges under an arms-length service agreement.

During the year the Company paid ERGO Versicherung AG £583,070 (2018: £nil) in management recharges under an arms-length service agreement.

**12. POST BALANCE SHEET EVENTS**

Since 31 December 2019 the risk profile of the Company has changed with the emergence and spread of Covid-19 being declared a global pandemic. This situation is unprecedented in modern times with attempts to limit the potential consequences fundamentally changing the way people work and interact with each other. The significant uncertainty resulting from the impact of Covid-19, which is anticipated to continue for the foreseeable future, has massively disrupted daily lives and economic well-being. Globally governments have introduced significant economic support measures, yet the immediate and longer term impact of these is unknown. The Company has considered the impacts of Covid-19 as noted in the strategic report and basis of preparation and notes that Covid-19 is not considered as an adjusting event.