

Strategic report

For the year ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Activities and business review

Activity

The principal activity of Churchill Insurance Company Limited (the "Company") continues to be the provision of general insurance, in so far as it relates to the handling and final settlement of outstanding motor claims. The Company ceased underwriting activities on 10 December 2011. Once all motor claim liabilities have been settled, the Company will cease trading activities.

The Company is a member of the Direct Line Group (the "Group") headed by Direct Line Insurance Group plc ("DLIG"). The Company is a subsidiary of U K Insurance Limited ("UKI"). The Group provides the Company with access to all Group central resources and provides policies in key areas such as finance, risk, human resources and environmental matters. Key performance indicators across the Group taken as a whole are referred to in the DLIG Annual Report and Accounts 2019 ("DLIG annual report") and accordingly for an understanding of the Company's development, performance or position of the business, please refer to the DLIG annual report, alongside the Review of the year section below. Copies can be obtained from Direct Line Group Company Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website at www.directlinegroup.co.uk

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA").

Review of the year

Business review

The Directors are satisfied with the Company's performance during the year. The Company continued to assist the Group in delivering its key priorities.

Financial performance

The Company's financial performance is presented in the profit and loss account on page 13.

The loss for the year was £16,000 (2018: profit of £374,000). The remaining claims to be settled by the Company are large bodily injury claims, which are subject to both favourable and unfavourable volatility, due to the complex nature and timescales over which such claims are handled. A significant proportion of outstanding claims are settled by means of court-awarded periodic payment orders ("PPOs").

No interim dividend was paid during the financial year ended 31 December 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend. (2018: £nil).

At the end of the year, the balance sheet showed total assets of £41,685,000 (2018: £42,561,000), including cash at bank and in hand of £17,316,000 (2018: £17,251,000). Total capital and reserves were £13,138,000 (2018: £13,154,000).

The Company's solvency capital requirement ("SCR") has been calculated as £0.8 million (2018: £0.9 million) using the standard formula approach. However, the absolute floor of the minimum capital requirement ("MCR") specified in the Solvency II Directive is €3.7 million (£3.2 million at 2019 exchange rates) (2018: €3.7 million (£3.3 million at 2018 exchange rates)). As a result of this, the Company's MCR is £2.4 million (2018: £2.4 million) higher than its SCR. The Company has a capital surplus of approximately £13.2 million (2018: £12.8 million) above its SCR and £10.8 million (2018: £10.4 million) above its MCR at 31 December 2019.

Principal risks and uncertainties

The Company's risk management objectives are set out in note 3 to the financial statements.

Brexit

The Company prepared for the possibility of a disruptive Brexit. The UK left the EU on 31 January 2020. The terms, if any, of any future trading relationship between the UK and the EU are not yet known and there remains uncertainty and the possibility of disruption, particularly at the end of the implementation period. The Company is predominantly a UK business, and has minimum exposure to the EU. The Group has been monitoring events carefully and has proactively taken steps to mitigate the likely impact on the Group and the Company to the extent it is considered appropriate and proportionate to do so, given the considerable uncertainties; however, in the event of a disruptive end to the implementation period the Company will not be immune. For more information, please refer to the DLIG Annual Report and Accounts 2019.