

Section 172 statement

In accordance with the Companies Act 2006 a number of the companies within the Newline Group are required to prepare a statement in their strategic report which describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties as a director under section 172 of the Companies Act 2006 (commonly known as a “**section 172 statement**”). The section 172 statement must be made available on a website.

The section 172 statement for each subsidiary required to prepare a statement is included within its Strategic Report in its annual report and accounts, and is available below.

Newline Insurance Company Limited (“NICL”) – Report and Accounts disclosure for the year ended 31 December 2019

In summary, as required by Section 172 of the UK’s Companies Act, a director of a company must act in the way he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- a) the likely consequences of any decisions in the long term;
- b) the interests of the company’s employees;
- c) the need to foster the company’s business relationships with suppliers, customers and others;
- d) the impact of the company’s operations on the community and environment;
- e) the company’s reputation for high standards of business conduct; and
- f) need to act fairly as between members of the company.

The Board’s approach to Section 172 and decision making

The role of the Board is to oversee the governance and management of the Company and to set the strategy of the business. The Board of NICL is comprised of five Executive Directors, two Non-Executive Directors and two Independent Non-Executive Directors. On 23rd March, 2020, two further Directors were appointed, one Non-Executive and one Independent Non-Executive Director.

Their duties are carried out in accordance with the relevant Companies’ legislation and relevant regulatory requirements and they act within their powers to promote success for the business and to exercise independent judgment and reasonable care, skill and diligence, avoid conflicts of interest, not accept benefits from third parties and to declare any interest in proposed transactions or arrangements. The Board is also responsible for ensuring that effective governance frameworks are in place and are supported by the appropriate resources, documentation, systems and controls, including, but not limited to, underwriting, claims, reinsurance, risk management, and finance.

The Board has delegated certain responsibilities to its Board committees, and day-to-day management and decision making to executive directors, whilst retaining oversight. It retains oversight by receiving regular formal updates from the Group Chief Executive Officer (“CEO”), Chief Operating Officer (“COO”), Chief Underwriting Officer (“CUO”), Chief Finance Officer (“CFO”), Chief Actuary and Risk Officer, Head of Claims, and Head of Compliance. The Board met formally five times in 2019.

Overview of how the Board performed its duties

The Board is responsible for a number of strategic decisions including annually approving the business plan and strategy of the Company. In making decisions concerning the business plan and strategy, the Board has regard to a number of stakeholders, the consequence of its decisions in the long term, and of its reputation. Long-term value is generated through profitability of the Company, maintenance of capital, and reputation of the Company with external stakeholders.

In discharging its duties over the strategic investment in a German subsidiary, the Board considered the need to maintain an EU presence as fundamental to the importance of NICL to the Newline Group, EU customers and intermediaries of NICL, the local regulatory implications of a German insurance company, and the level of involvement of UK and German based employees.

Capital considerations have also been taken in the year, with the Board assessing the capital needs of NICL, and that of the German subsidiary, ensuring that capital held meets the requirements of local regulators, and balancing the needs of the parent on the efficient use of capital. The Board has assessed these needs, and employed sufficient capital.

Employee engagement

All UK employees are employed by Newline Underwriting Management Limited (“NUML”), a fellow subsidiary, which recharges NICL for their services.

Being a relatively small company, there is a high level of visibility of the Board by employees, and vice versa. Given that employees are fundamental to the success of the Company and are critical to the implementation of the strategy as set out by the Board, there is significant engagement between executive directors and employees. In addition to daily engagement of the executive directors with employees, there are quarterly formal results presentations to all employees by members of the Board, outlining factors around the quarterly financial results of the Company and the wider Newline and Odyssey group, and any strategic initiatives currently taking place.

Members of the board have also supported the Company’s participation in an Odyssey group wide employee engagement survey. This was an anonymous survey, the purpose of which was to provide employee insights into ways the Company can become a better place to work and become an even higher-performing company. The themes and trends that come out of the survey will help shape meaningful discussions at all levels of the organisation and target strategies for helping all employees achieve maximum job satisfaction and maximum contribution, contributing to the success of the Company.

We are committed to protecting the health and wellbeing of our employees, and have made significant efforts in this area over recent years. With a family friendly policy offering enhanced maternity and paternity benefits, subsidised gym memberships, and a number of employee wide social events throughout the year, the Company aims to promote the physical and mental health of our employees. This is to be enhanced in 2020 with the establishment of a Wellbeing Committee.

Stakeholder engagement

Clients and Intermediaries

The reputation of Newline is fundamental to the long term success, and continued support of its client and intermediary base. The Newline Group employs highly specialised and dedicated claims managers to look after our insured’s interest. Given the diverse nature of the policies we issue, and the exposures we cover, Newline ensures that a professional claims manager, who is knowledgeable in both the class of insurance bought and the industry, handles the claim. In addition to internally experienced staff, we employ specialist external advisors when necessary.

When handling a covered casualty claim, our claims adjusters have two overriding objectives:

- Protecting the policy holder interests; and
- Driving the claim to the fairest possible outcome.

Claims managers and handlers follow written policies and procedures, have continual training and are offered support in gaining professional qualifications in order to maintain our high standards.

The Board has delegated responsibility of the overseeing and management of potentially high value claims (in excess of £250,000) and complex claims to the Claims Review Management Group, chaired by Head of Claims, and attended by the Chief Executive Officer and the Reserving Actuary. It also considers any matters that need to be brought to the attention of the Board. This management group met four times in 2019.

Reinsurers

The Board has established a reinsurance management group that reviews and monitors the purchase of reinsurance protection in line with the strategy set out by the Board. The strategy set out by the Board is used to protect capital against underwriting risk volatility. There is open communication between the Company, intermediary brokers and reinsurers in placing this reinsurance, and open communication over relevant underwriting losses.

Shareholder and Capital Provider

The Company prepares quarterly financial data reporting performance against the approved plan. Through the Own Risk and Solvency Assessment Report (“ORSA”), the directors also evaluate the capital required to support the Solvency Capital Requirement in the current financial year, and subsequent periods. As some members of the Executive Board also sit on the executive board of the capital provider (Newline Holdings UK Limited), there is full disclosure on the performance and capital needs of the Company.

Regulators

NICL is authorised by the Prudential Regulation Authority (“PRA”) and is regulated by the Financial Conduct Authority (“FCA”). The relationship with these regulators is open and cooperative as required by the PRA’s “Fundamental Rule 7” and the FCA’s “Principle 11” with meetings being held periodically and with all reports, returns and requests for information being met in a timely manner.

Community and Environment

The Board recognises the importance of leading a company that not only provides value for shareholders, clients and employees, but also supports the wider community. Fairfax Financial Holdings Limited (of which the Company is a member – see note 25), through encouraging philanthropic endeavours, has donated a portion of profits to charitable organisations since its inception. The Newline Group, also embraces this culture of giving, by donating a proportion of profits to local charitable organisations, selected by employees. The Company also operates a charitable donation matching scheme, whereby the Company will match the personal donation an employee has made to a charity.

Culture, values and standards

The culture and standards of the Newline Group are aligned fully with those of Fairfax Financial Holdings Limited, underpinned by a fair and friendly approach to how we deal with insured’s and intermediaries, and with our employees. These standards are how we aim to create and sustain value over the longer term and are key elements of how the Company maintains a reputation for high standards of business conduct.

Culture, values and standards underpin how a company creates and sustains value over the longer term and are key elements of how it maintains a reputation for high standards of business conduct. They also guide and assist in decision making and thereby help promote the company’s success, recognising, amongst other things, the likely consequences of any decision in the long-term and wider stakeholder considerations. The standards set by the Board also take into consideration regulatory standards, and mandate certain requirements and behaviours with regards to the activities of its directors, employees and others associated with it.

Newline Corporate Name Limited (“NCNL”) – Report and Accounts disclosure for the year ended 31 December 2019

In summary, as required by Section 172 of the UK’s Companies Act, a director of a company must act in the way he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- a) the likely consequences of any decisions in the long term;
- b) the interests of the company’s employees;
- c) the need to foster the company’s business relationships with suppliers, customers and others;

- d) the impact of the company's operations on the community and environment;
- e) the company's reputation for high standards of business conduct; and
- f) need to act fairly as between members of the company.

The Board's approach to Section 172 and decision making

The role of the Board is to oversee the governance and management of the Company and to set the strategy of the business. The Board of NCNL is comprised of two Executive Directors and two Non-Executive Directors.

Their duties are carried out in accordance with the relevant Companies' legislation and relevant regulatory requirements and they will act within their powers to promote success for the business and to exercise independent judgment and reasonable care, skill and diligence, avoid conflicts of interest, not accept benefits from third parties and to declare interest in proposed transactions or arrangements. The Board is also responsible for ensuring that effective governance frameworks are in place and are supported by the appropriate resources, documentation, systems and controls.

The Board has delegated certain responsibilities of day-to-day management and decision making relating to the Company to executive directors, and the management of the Syndicate to Newline Underwriting Management Limited.

Overview of how the Board performed its duties

The Board is responsible for a number of strategic decisions including the maintenance of capital both within the Company, and that of Syndicate 1218, and reputation of the Company with external stakeholders.

Capital considerations have been taken in the year, with the Board assessing the capital needs of NCNL and that of the Syndicate, ensuring that excess capital held meets the requirements of local regulators, and balancing the needs of the parent on the efficient use of capital. The Board has assessed these needs, and employed sufficient capital.

Employee engagement

Other than the directors, the company does not directly employ any staff. All the administrative functions of the Company are performed by employees of Newline Underwriting Management Limited, a fellow subsidiary.

Stakeholder engagement

Shareholder and Capital Provider

NUML prepares quarterly financial data reporting performance against the approved plan. Through the Own Risk and Solvency Assessment Report ("ORSA"), the directors of NUML evaluate the capital required to support the Solvency Capital Requirement in the current financial year, and subsequent periods. As some members of the Executive Board also sit on the executive board of the Company, there is full disclosure on the performance and capital needs of the Company.

Regulators

NCNL is not a regulated entity. NUML is authorized by the Prudential Regulation Authority ("PRA") and is regulated by the Financial Conduct Authority ("FCA"). In addition, NUML is also subject to the regulatory jurisdiction of Lloyd's of London in the capacity of managing the underwriting affairs of Syndicate 1218. The relationship with these regulators is open and cooperative as required by the PRA's "Fundamental Rule 7", the FCA's "Principle 11" and Lloyd's Minimum Standards regime, with meetings being held periodically and with all reports, returns and requests for information being met in a timely manner.

Community and Environment

The Board of NUML recognises the importance of leading a company that not only provides value for shareholders, clients and employees, but also supports the wider community. Fairfax Financial Holdings Limited (of which the Company is a member – see note 23), through encouraging philanthropic endeavours, has donated a portion of

profits to charitable organisations since its inception. The Newline Group, also embraces this culture of giving, by donating a proportion of profits to local charitable organisations, selected by employees. NUML also operates a charitable donation matching scheme, whereby the NUML will match the personal donation an employee has made to a charity, ultimately from the profits of the Company.

Culture, values and standards

The culture and standards of the Newline Group are aligned fully with those of Fairfax Financial Holdings Limited, underpinned by a fair and friendly approach to how we deal with insured's and intermediaries, and with our employees. These standards are how we aim to create and sustain value over the longer term and are key elements of how the Company maintains a reputation for high standards of business conduct.

Culture, values and standards underpin how a company creates and sustains value over the longer term and are key elements of how it maintains a reputation for high standards of business conduct. They also guide and assist in decision making and thereby help promote the company's success, recognising, amongst other things, the likely consequences of any decision in the long-term and wider stakeholder considerations. The standards set by the Board also take into consideration regulatory standards, and mandate certain requirements and behaviours with regards to the activities of its directors, employees and others associated with it.