Heddington Insurance (U.K.) Limited

Registered Number 01298239 England

Financial Statements

Directors

W T Clutter
N Ali
J D Prowting

Company Secretary

B Zaza

Registered Office

1 Westferry Circus,
Canary Wharf,
London, E14 4HA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
7 More London Riverside,
London, SE1 2RT

Heddington Insurance (U.K.) Limited

Registered Number 01298239 England

Strategic report for the year ended 31 December 2019

The directors have pleasure in submitting their strategic report of the Company for the year ended 31 December 2019.

Business review and principal activities

The Company is one of Chevron Corporation's (Chevron) captive insurance companies. No new business was written in 2019, reducing the principal activities of the Company.

The UK Employers Liability insurance initially written in 2018 was extended for the period 1 February 2019 to 1 May 2019 and then extended again for the period 1 May 2019 to 31 December 2019. This insurance expired on 31 December 2019 and was not renewed. Going forward, it will be purchased from an external insurance company.

Gross premium written during the year was USD 286,000 (2018: premiums of USD 422,000). The lower premium is due to non-renewed business. The reinsurance costs in the year were USD nil (2018: USD 77,000). The net premium written during the year was USD 286,000 (2018: USD 345,000).

The total technical result for the year was a profit of USD 149,000 (2018: profit of USD 721,000). The profit in the current year was primarily due to the UK Employers Liability insurance being extended through 2019 and movements in insurance reserves offset by net operating expenses.

Investment income for the year was USD 737,000 (2018: USD 658,000). The movement in unrealised result on investments was a gain of USD 7,000 (2018: gain USD 23,000) which is included in the non-technical account.

The results for the year show a profit on ordinary activities before tax of USD 907,000 (2018: USD 1,367,000). The tax income for the year was USD 338,000 (2018: charge of USD 261,000).

The net asset position of the Company remains strong at the year-end at USD 35,842,000 (2018: USD 34,597,000).

Strategy and future outlook

The Company will continue to be one of Chevron's active captive insurance operations and will be available to underwrite any risks that it is licensed to write as required by Chevron. The Company has no plans to write unrelated business.

Given the ongoing uncertainty surrounding the final terms under which Brexit will be affected, the Company is monitoring developments of Brexit related to the recent policies covering risks in the EU (France). The last policy expired on 31 May 2019. Future impact of Brexit will be evaluated should claims be presented to the Company for losses covered under these policies

Strategic report for the year ended 31 December 2019 (continued)

As of 31 December 2018, the Company had one insurance policy written into an EU country. The policy expired on 31 May 2019, and the Company has no active contracts of insurance in any EU country, nor does the Company's business plan contemplate executing any new contracts of insurance in the EU in the future.

The Company continues to monitor developments regarding the impact of Brexit on its business. With no active contracts of insurance, the most likely area of concern is potential future claims for legacy contracts of insurance within the EU. The Company believes the likelihood of future claims to be low, given the nature of these contracts of insurance. However, should a claim occur post-Brexit, the Company will engage with legal counsel and regulatory authorities as required to ensure that claims are serviced in a manner consistent with all relevant legal and regulatory environments.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies procedures and internal controls. All policies are subject to corporate approval and ongoing review. The underwriting and reinsurance strategies are given board approval and communicated clearly through policy guidelines. The Company has developed a framework for identifying the risks that each business sector is exposed to and their impact on economic capital. The process includes principles to manage its Own Risk Solvency Assessment (ORSA), as outlined by the guidance provided under Solvency II. This process is used both to manage the Company's capital requirements and to ensure that the Company has the financial strength and capital adequacy to support the ongoing business and to meet the requirements of policyholders and relevant regulations.

The principal risks from our general insurance business arise from inaccurate pricing; fluctuations in timing, frequency and severity of claims compared to our expectations; inadequate reinsurance and inadequate reserving. These risks are discussed in Note 5 of the financial statements

In addition, the Company is exposed to financial risks arising primarily from the investments that are held. These risks are discussed in Note 6 of the financial statements.

Key Performance Indicators ('KPI's)

The Company actively evaluates financial performance. In 2019 the Company earned a net profit from continuing operations of USD 149,000 (2018 - USD 721,000). The levels of claim activity, claim costs (2019 - USD 107,000, 2018 – USD 557,000), and operating expenses (2019 - USD 273,000, 2018 - USD 188,000) continue to be low relative to premium income. In addition, the

Company earned net investment income which contributed approximately USD 737,000 (2018 – USD 658,000) to net profit.

The Company believes that future income derived from investment will be adequate to maintain capital and reserves to service the Company's ongoing insurance obligations.

Section 172 statement

The Companies (Miscellaneous Reporting) Regulations 2018 (2018 MRR) require the Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) of the Companies Act 2006 ("S172") when performing their duty to promote the success of the Company under S172.
This section of the strategic report comprises the Directors 172 Statement and statement on engagement with suppliers, customers and others.

As a wholly owned subsidiary of the Chevron Corporation, the Directors ensure that decisions are beneficial to all of the Company's stakeholders as well as having regard to the long-term sustainable success of the Chevron Group as a whole. The strategic aims of the Company are derived from those of the Chevron Group, which can be found in the Chevron Corporation plc 2019 Annual Report at https://www.chevron.com/annual-report.
The Chevron Group internally organizes its activities principally along business and function lines and transacts its business through legal entities. This organization structure is designed to achieve Chevron's overall business objectives, whilst respecting the separate legal identity of the individual Chevron companies through which it is implemented and the independence of each Board of Directors.

The Board of Directors of the Company hold positions across key functions of the Company or are in positions that support those functions of the Company. When appointed to the Board, each Director is briefed on their role and responsibilities by the Company Secretary and is provided with training and support to help them fulfil their responsibilities.

The Company's ultimate parent, Chevron Corporation, has developed and implemented a number of policies and principles which the Company has reviewed and adopted. "The Chevron Way" details the guiding principles which all employees must follow, and these principles include diversity and inclusion, high performance, integrity and trust, protecting people and the environment and partnership. Our Business Conduct & Ethics Code (BCEC) is built on Chevron's core values and highlights the principles that guide our business conduct and how our policies are designed to support full compliance with applicable laws.
Chevron's BCEC:
https://www.chevron.com/-/media/shared-media/documents/chevronbusinessconductethicscode.pdf.

Prior to Company matters being brought to the Board of Directors for consideration, significant levels of internal engagement are undertaken with the broader business. Dependent on the project or activity, Board members or representatives of the Company may have participated in this engagement through their relevant business area and this therefore helps inform the relevant board decisions.

Principal decisions
No significant decisions were made in 2019.

Employees
The Company does not have any direct employees. Employees are engaged through affiliated companies of Chevron Corporation.

Business Relationships
The Company has business relationships with a small number of external suppliers in addition to wholly owned subsidiaries and affiliates of Chevron Corporation.

Suppliers:
The values inherent in The Chevron Way, which describe how the Company conducts its business in a socially and environmentally responsible manner, apply to all stakeholder groups with whom it works. This applies equally when working with suppliers which are selected to be a part of the company's value chain, and who contribute to its offering and value proposition. This is done through a structured procurement organization which engages with suppliers at all levels, to ensure that the company's vision, values and strategies can be effectively executed safely, legally and reliably.

The Company has no customers

Community and Environment
The Company places the highest priority on the health and safety of the workforce and protection of assets, communities and the environment. The Operational Excellence Management System (OEMS) defines the expectations regarding the systematic management of workforce safety and health, process safety, reliability and integrity, environment, efficiency, security and stakeholders to achieve high performance in operational excellence. Protecting people and the environment is a key value. The Company expects compliance with the letter and the spirit of applicable environmental, health and safety laws, regulations and policies. Within each of the functional areas, management are responsible for monitoring performance related to health, safety and the environment.

Approved by order of the board

DocuSigned by:
Brigitte Zaza
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B Zaza
Company Secretary

1 Westferry Circus
Canary Wharf
London, E14 4HA

30 October 2020

Registered Number 01298239 England

Directors' report for the year ended 31 December 2019

The directors have pleasure in submitting their annual report and the audited financial statements of the Company for the year ended 31 December 2019.

Future developments

Future developments in the business of the Company are discussed in the strategic report.

Dividends

No dividend has been proposed for 2019 (2018: USD Nil).

Directors

The directors, who held office throughout the year, and up to the date of signing the financial statements, are named on page 1, which forms part of this report.

Financial instruments and risk management

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in Note 6 to the financial statements. In particular, the Company's exposure to price risk, credit risk and liquidity risk are separately disclosed in that note. The Company's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Market risk'.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors 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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Qualifying third party indemnity provisions

The Company maintains liability insurance for its directors and officers. The Company also provides an indemnity for its directors, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force throughout the last financial year and at the date of the approval of the financial statements.

Approved by order of the board

DocuSigned by:
Brigitte Zaza
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B Zaza
Company Secretary

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Canary Wharf
London, E14 4HA

30 October 2020

Heddington Insurance (U.K.) Limited

Registered Number 01298239 England

Independent auditors' report to the members of Heddington Insurance (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Heddington Insurance (U.K.) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Profit and Loss Account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

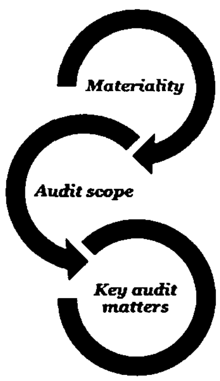
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



Overall materiality: $358,920 (2018: $346,990), based on 1% of Net assets.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The valuation of loss reserves may be inappropriate.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to recording of deliberately erroneous or fictitious journal entries (both standard and non-standard) and using inappropriate assumptions and methodologies to develop accounting estimates. We have decided to rebut the risk of fraud in revenue for the current year. This is due to the fact that the company wrote a very limited number of policies with straight forward and easily identifiable premium terms. Audit procedures performed by the engagement team included:

- Discussions with the Board and management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing Board meeting minutes;
- Procedures relating to the valuation of general insurance contract liabilities described in the related key audit matter below;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
The valuation of loss reserves may be inappropriate The valuation of loss reserves is the most material estimate in the financial statements and their valuation involves a significant degree of judgement. Claims Incurred But Not Reported ("IBNR") reserves and the associated reinsurers' share of claims IBNR reserves are a subset of loss reserves, which represent the key area of judgement within the reserves and represent significant accounting estimates. The assumptions applied to the IBNR by management are therefore areas of focus for us as any errors or bias could lead to material misstatement. Areas of particular focus are: • The use of appropriate reserving assumptions and the consistency of their application from year to year; • The consideration by management of alternative assumptions and inherent bias when developing an estimate; • Prior year development and the appropriateness of prior year estimates; and • The degree of caution in reserve estimates in relation to areas of uncertainty.	We have performed the testing set out below on the significant judgement applied in setting the loss reserves: • We utilised our actuarial specialists in order to assess the reasonableness of the IBNR reserves estimates, using a methodology and assumptions approach and diagnostic testing; • We understood any key changes to the business written over the year, the claims handing process and any significant claims that have been reported in the year, including significant movements in known claims; • We have reviewed the reserve report produced by management's independent experts and considered the reasonableness of the assumptions used in setting the IBNR reserves; • We have assessed the difference between the best estimate reserves calculated by management's experts and the final booked reserve to understand any margins booked above the best estimate;

Key audit matter	*How our audit addressed the key audit matter*
Loss reserves are included in note 15 to the financial statements.	• We have assessed the uncertainty in the IBNR reserves by performing scenario tests and reviewing management's assessment of uncertainty; and • We have reviewed the gross to net ratios applied to the reserves. *Based on the work performed, we found that the IBNR reserves and the associated reinsurers' share of IBNR reserves were supported by the evidence we obtained.*
Impact of COVID-19 subsequent event As disclosed in note 20, subsequent to the balance sheet date and up to the point of reporting there has been a global pandemic of a new strain of Coronavirus (COVID-19) which has caused significant economic disruption. This outbreak and the subsequent spread of the virus does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore assessed to be a non-adjusting event. Management have ensured that the measurement of assets and liabilities reflects only the conditions that existed at the reporting date. However, events after the reporting date can provide additional information about the uncertainties that existed at the reporting date. Management has concluded that the Company is, and will continue to be, solvent and will continue to meet its capital requirements through this pandemic and continues to be a going concern. Management has furthermore concluded that no commitments, contingent liabilities or balances after the balance sheet date are to be disclosed.	• We have reviewed and assessed the reasonableness of the going concern assessment prepared by Management in the wake of the Covid-19 pandemic; • We have performed procedures to consider if there were any existing events prior to or as at the year-end that would result in adjustment to the financial statements as at 31 December 2019; and • We have reviewed the appropriateness of disclosure within the financial statements with respect to Covid-19, including any non-adjusting post balance sheet events. *Based on the work performed and the evidence obtained, we consider the disclosure of the potential impact of Covid-19 in the financial statements to be appropriate.*

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, Companies Act 2006, the Prudential Regulation Authority's regulations and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$358,920 (2018: $346,990).
How we determined it	1% of Net assets.
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, given its status as a captive insurer for the Chevron Group.

We agreed with the directors that we would report to them misstatements identified during our audit above $17,946 (2018: $17,350) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5 and 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 2 July 2001 to audit the financial statements for the year ended 31 December 2001 and subsequent financial periods. The period of total uninterrupted engagement is 19 years, covering the years ended 31 December 2001 to 31 December 2019.

DocuSigned by:

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Thomas Ferguson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 October 2020

Heddington Insurance (U.K.) Limited

Registered Number 01298239 England

Profit and Loss Account for the year ended 31 December 2019

		Note	2019 $000	2018 $000
TECHNICAL ACCOUNT - GENERAL BUSINESS				
Earned premiums, net of reinsurance				
Gross premiums written	- continuing operations	7	**286**	**422**

Outward reinsurance premiums			0	(77)
Net premiums written			286	345
Change in the provision for unearned premiums				
Gross amount			61	35
Reinsurers' share			(32)	(28)
Net change in the provisions for unearned premiums			29	7
Earned premiums, net of reinsurance			315	352
Total technical income			315	352
Claims incurred, net of reinsurance				
Claims paid	- gross amount		0	46
	- reinsurers' share		(10)	(481)
Net claims paid			(10)	(435)
Change in the provision for claims	- gross amount		(146)	(198)
	- reinsurers' share		49	76
Net change in the provision for claims			(97)	(122)
Claims incurred, net of reinsurance			(107)	(557)
Net operating expenses		8	273	188
Total technical charges			166	(369)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS			149	721
Attributable to	- continuing operations		149	721

Heddington Insurance (U.K.) Limited

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Profit and Loss Account for the year ended 31 December 2019 (continued)

	Note	2019 $000	2018 $000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		149	721
Investment income	10	737	658
Investment expenses and charges	10	(2)	(2)
Unrealised gains on investments	10	7	23
Other charges, including value adjustments	8	16	(33)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		907	1,367
Tax on profit on ordinary activities	11	338	(261)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		1,245	1,106

Heddington Insurance (U.K.) Limited

Registered Number 01298239 England

Balance Sheet as at 31 December 2019

	Note	2019 $000	2018 $000
ASSETS			
INVESTMENTS			
Other financial investments	12	0	2,918
		0	2,918
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums		0	32
Claims outstanding	4, 15, 16	82	131
		82	163
DEBTORS			
Debtors due from group companies	13	16,228	15,715
		16,228	15,715
OTHER ASSETS			
Cash at bank and in hand		20,574	17,305
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		0	16
		0	16
TOTAL ASSETS		36,884	36,117

The accompanying notes are an integral part of these financial statements.

Heddington Insurance (U.K.) Limited

Registered Number 01298239 England

Balance Sheet as at 31 December 2019 (continued)

	Note	2019 $000	2018 $000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	14	30,000	30,000
Profit and loss account		5,842	4,597
Total shareholders' funds		35,842	34,597
TECHNICAL PROVISIONS			
Provision for unearned premiums		0	61
Claims outstanding	4, 15	608	733
	16	608	794
CREDITORS			
Amounts currently due:			
Other creditors including taxation and social security		197	530
Amounts due in more than one year:			
Creditors arising out of reinsurance operations	17	100	100
		297	630
ACCRUALS AND DEFERRED INCOME		137	96
TOTAL EQUITY AND LIABILITIES		36,884	36,117

The financial statements set out on pages 17 to 45 were approved by the Board of Directors on **30 October 2020** and have been signed on its behalf by:

DocuSigned by:

John Prowting

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J Prowting

Director

The accompanying notes are an integral part of these financial statements

Heddington Insurance (U.K.) Limited

Registered Number 01298239 England

Statement of changes in equity for the year ended 31 December 2019

	Called up Share Capital $000	Profit and Loss Account $000	Total Shareholders' Funds $000
Balance as at 1 January 2019	**30,000**	**4,597**	**34,597**
Profit for the year	**0**	**1,245**	**1,245**
Balance as at 31 December 2019	**30,000**	**5,842**	**35,842**
Balance as at 1 January 2018	**30,000**	**3,491**	**33,491**
Profit for the year	**0**	**1,106**	**1,106**
Balance as at 31 December 2018	**30,000**	**4,597**	**34,597**

1. General information

Heddington Insurance (U.K.) Limited ('the Company') transacts general insurance business in the UK. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 1 Westferry Circus Canary Wharf London, E14 4HA.

The immediate parent undertaking is Heddington Insurance Limited which is incorporated in Bermuda. The ultimate parent undertaking and controlling party is Chevron Corporation, which is incorporated in the state of Delaware, USA. This is the largest and smallest group to consolidate these financial statements. Copies of Chevron Corporation consolidated financial statements can be obtained from 6001 Bollinger Canyon, San Ramon, California 94583, USA.

2. Statement of compliance

The Financial statements of Heddington Insurance (U.K.) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006. The financial statements have been prepared in compliance with the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

b. Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

3. Summary of significant accounting policies (continued)

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, includes the Company's cash flows;

ii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

d. Foreign currencies

Items included in Heddington Insurance (U.K.) Limited's financial statements are measured and presented using the currency of the primary economic environment in which it operates, which is the US Dollar. Heddington Insurance (U.K.) Limited's functional currency is the US Dollar. All Sterling transactions are translated to US dollars at the rate of exchange on the date of the transaction. Monetary assets and liabilities held in Sterling are translated to US dollars at rates of exchange ruling at the end of the year.

Where non-US dollar currency assets held do not match non-US dollar currency liabilities any resultant gain or loss on mismatching is reported in the profit and loss account.

e. Offsetting of assets and liabilities.

Assets and liabilities, or income and expenses have not been offset unless required or permitted by FRS.

f. Insurance contracts

All classes of insurance business written by the company are designated as insurance contracts and are accounted for on an annual basis.

i) Premium written

Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with adjustments arising in the financial year to such premiums receivable in respect of business written in previous financial years. All premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

3. Summary of significant accounting policies (continued)

f. Insurance contracts (continued)

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business being reinsured.

ii) Unearned premium

Unearned Premium represents the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis

iii) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

iv) 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 have occurred. 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.

3. Summary of significant accounting policies (continued)

f. Insurance contracts (continued)

(iv) Claims provisions and related reinsurance recoveries (continued)

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. 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 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 legal environment
- the effects of inflation
- changes in the mix of business
- 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 claims the company considers 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.

The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident 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.

3. Summary of significant accounting policies (continued)

f. Insurance contracts (continued)

(iv) Claims provisions and related reinsurance recoveries (continued)

Property and accident business

Property and accident business is "short tail", that is there is not a significant delay between the occurrence of the claim event 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 class 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 predetermined 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 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 given the uncertainty of when these claims will develop no allowance is included for this as at the balance sheet date.

Pollution claims

There may be a long delay between the occurrence and notification of these types of claim. In estimating the cost of claims the company considers the type of risks written historically that may give rise to exposure to these risks, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean up techniques and industry benchmarks of the typical cost of claims of this kind and of total expected insured losses.

3. Summary of significant accounting policies (continued)

f. Insurance contracts (continued)

(iv) Claims provisions and related reinsurance recoveries (continued)

Reinsurance recoveries

The amounts that will be recoverable from reinsurers are based upon gross provisions, having due regard to collectability. 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.

(v) Deferred acquisition costs

Acquisition costs comprising commission and other costs related to the acquisition of new insurance contracts are, where material, deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

g. Investment income

Investment income comprises interest earned on an accruals basis and realised investment gains and losses. Realised gains and losses are calculated as the difference between sales proceeds and cost. Such income is stated gross of any applicable taxation credit.

h. Investments

Investments are stated on the balance sheet at market value. Unrealised gains and losses are reported in the non-technical account and are calculated as the difference between the market valuation at the balance sheet date and their value at the last balance sheet date or purchase price, if acquired during the year.

3. Summary of significant accounting policies (continued)

i. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the non-technical account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. The taxation charge in the non-technical account is based on the taxable profits for the year. Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred taxation assets are only recognised if recovery is reasonably certain. Deferred taxation balances are not discounted.

j. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

3. Summary of significant accounting policies (continued)

k. Share capital

Ordinary shares are classified as equity.

l. Distributions to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

m. Financial instruments

The Company has chosen to apply the recognition and measurement provisions of FRS 102 chapters 11 and 12 and the disclosure requirements of FRS 102 in respect of financial instruments.

n. Financial assets

The Company classifies its financial assets into the following categories: Debt securities and other fixed-income securities – at fair value through profit or loss; and Deposits with credit institutions – loans and receivables. Management determines the classification of its investments at initial recognition and revaluates this at every reporting date.

(i) Fixed-Income securities - securities at fair value through profit or loss

The Company's investment strategy is to invest in debt securities designated upon initial recognition at fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

3. Summary of significant accounting policies (continued)

n. Financial assets (continued)

(ii) Deposits with credit institutions - Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

o. Impairment of financial assets

For financial assets, not at fair value through profit or loss, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- adverse changes in the payment status of issuers or debtors in the group; or
- national or local economic conditions that correlate with defaults on the assets in the Company.

3. Summary of significant accounting policies (continued)

o. Impairment of financial assets (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account for the period. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the profit and loss account for the period.

p. Financial liabilities

Creditors are financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

q. Related party transactions

The Company is charged an allocation of costs from Chevron Products UK, a related party, for resources used in the performance of insurance related activities on the behalf of Heddington Insurance UK Ltd.

4. Critical accounting judgements and estimation uncertainty

At the balance sheet date, gross provision for claims was $608,000 and related insurance recoveries was $82,000. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The claims provision includes amounts in respect of potential claims and related expenses which are not expected to be settled for many years and where there is considerable uncertainty as to the amount at which they will be settled. The level of the provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law. The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related insurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made for IBNR valuation purposes are reviewed regularly. There are no other judgements and estimates

Insurance contracts are those contracts that transfer significant insurance risk.

5. Management of insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

5. Management of insurance risk (continued)

Assumptions

The Company wrote no new business in 2019. The UK Employers Liability policy written in 2018 was extended up to December 31, 2019. There are no reported outstanding claims in the current year (2018: nil). The IBNR is calculated based on a central method derived from two actuarial methodologies; Development Method and Bornhuetter-Ferguson Method. The directors believe that these assumptions give rise to an appropriate valuation of IBNR to be reported in the financial statements with the UK Employers' liability contract responsible for the majority of the gross technical provision. The assumptions used have not changed from last year.

Concentration risk

The directors review the concentration of insurance risk, which is on the Employers' 'Liability and Onshore Property classes of business and all in the UK and Northern Europe. All current IBNR is assigned to the contracts in those regions. This concentration of risk remains unchanged from last year.

Sensitivity analysis

A movement in the claims reserves of +/- 20% would result in additional profit / (loss) for the year and increase / (decrease) in equity of $85,000 (2018: $97,000) assuming all other assumptions remain unchanged.

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Notes to the financial statements

for the year ended 31 December 2019 (continued)

5. Management of insurance risk (continued)

The gross and net claims development over the past 5 years is shown in the following tables

Gross Estimate of ultimate claims cost	**2013 & Prior**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
At end of reporting Year	405,579	543	467	354	340	219	176	407,678
One year later	405,003	342	400	198	180	115		406,238
Two years later	404,197	187	365	83	105			404,937
Three years later	404,031	123	358	48				404,560
Four years later	403,938	89	323					404,350
Five years later	403,840	63						403,903
Six years later	403,813							403,813
Current estimate of claims	403,813	63	323	48	105	115	176	404,643
Claim payments to date	(403,780)		(255)					(404,035)
Liability recognized in the balance sheet	33	63	68	48	105	115	176	608

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for the year ended 31 December 2019 (continued)

Net Estimate of ultimate claims cost	2013 & Prior $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	Total $000
At end of reporting Year	40,023	135	377	227	279	187	180	41,408
One year later	39,929	263	362	142	149	110		40,955
Two years later	38,289	141	339	68	78			38,915
Three years later	38,165	95	338	39				38,637
Four years later	38,091	68	307					38,466
Five years later	38,012	41						38,053
Six years later	37,987							37,987
Current estimate of claims	37,987	41	307	39	78	110	180	38,742
Claim payments to date	(37,961)		(255)					(38,216)
Liability recognized in the balance sheet	26	41	52	39	78	110	180	526

The 2013 and prior years of account have had no recent activity and future development is not expected

6. Management of financial risk

Financial risk management objectives

The Group is exposed to a range of financial risks; in particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk

a) Market risk

Interest rate risk

The Company monitors interest rate risk on a monthly basis by calculating the mean duration of the investment portfolio and of the liabilities to policyholders under insurance and investment contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows using standard actuarial claims projection techniques. This is calculated in a consistent manner with the prior year.

Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. At December 31, 2019 the company held no investments. For the year ended December 31, 2018 an increase of 100 basis points in interest yields would result in additional profit for the year and increase in equity of $23,000 assuming all other assumptions remain unchanged. A decrease in 100 basis points in interest yields would result in an additional loss for the year and decrease in equity of $23,000 assuming all other assumptions remain unchanged.

The company maintains a liquid investment portfolio and as such is able to benefit from and mirror the changes in interest rates on a timely basis as investments mature and are renewed on a regular basis. The company has a defined investment policy which retains the investment base, maintains liquidity and achieves a market return of investment income.

Equity price risk

The company holds no equity investments.

6. Management of financial risk (continued)

a) Market risk (continued)

Currency risk

The company manages its foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US Dollars. The most significant currency to which the Company is exposed is Sterling. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

At 31 December 2019, if the pound had weakened/strengthened by 20% against the US Dollar with all other variables held constant, profit for the year would have been \$86,165 (2018: \$99,334) lower/higher, mainly as a result of foreign exchange gains/losses on the translation of Sterling denominated financial assets, carried at fair value through profit or loss and foreign exchange losses/gains on translation of Sterling denominated insurance liabilities.

b) Credit risk

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:

- reinsurer's share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance contract holders, and
- investments in debt securities
- intercompany balances

The assets bearing risk are analysed below by credit rating:

Ratings	**2019 $000**	**2018 $000**
AAA	0	2,918
AA-	82	131
Not rated	16,228	15,715

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

6. Management of financial risk (continued)

The Company's investment guidelines as approved by the directors state that all Notes and bonds must be rated by Moody's or Standard and Poor's and must carry a minimum rating of AA. There have been no breaches of the investment guidelines and these guidelines remain unchanged from last year.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as a primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policy holder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength and recent payment history prior to the finalisation of the annual reinsurance program. The current year reinsurance protection participating reinsurers are rated by Standard and Poor's or AM Best and carry a minimum rating of AA-.

The table below analyses the aging of the Company's financial assets and reinsurer's share of outstanding claims.

Financial assets and reinsurer's share of outstanding claims At 31 December 2019	Neither past Due nor impaired $000	Past due $000	Total $000	Carrying value $000
Debt securities and other fixed Income securities	0	0	0	0
Reinsurer's share of claims Outstanding	82	0	82	82
Debtors from group companies	16,228	0	16,228	16,228
Cash at bank and in hand	20,574	0	20,574	20,574
Other assets	0	0	0	0
Financial assets and reinsurer's share of outstanding claims	36,884	0	36,884	36,884

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for the year ended 31 December 2019 (continued)

6. Management of financial risk (continued)

Financial assets and reinsurer's share of outstanding claims At 31 December 2018	Neither past Due nor impaired $000	Past due $000	Total $000	Carrying value $000
Debt securities and other fixed Income securities	2,918	0	2,918	2,918
Reinsurer's share of claims outstanding	131	0	131	131
Debtors from group companies	15,715	0	15,715	15,715
Cash at bank and in hand	17,305	0	17,305	17,305
Other assets	16	0	16	16
Financial assets and reinsurer's share of outstanding claims	36,085	0	36,085	36,085

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's investment guidelines approved by the Board of Directors sets out to maintain a liquid portfolio in order to cover anticipated liabilities as they fall due and also unexpected levels of cash requirements to meet claim payments without recourse to any borrowing facilities.

The following tables show the undiscounted expected timing of future cash flows in the Company. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

At 31 December 2019	< 1 Year $000	1 - 2 Years $000	2 – 5 Years $000	> 5 Years $000	Total $000
Creditors	137	0	0	0	137
Financial liabilities	197	0	100	0	297
Claims Outstanding	0	0	0	0	0
IBNR	86	66	198	258	608
Financial liabilities and Outstanding claims	420	66	298	258	1,042

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

6. Management of financial risk (continued)

At 31 December 2018	< 1 Year $000	1 - 2 Years $000	2 – 5 Years $000	> 5 Years $000	Total $000
Creditors	96	0	0	0	96
Financial liabilities	530	0	100	0	630
Claims Outstanding	0	0	0	0	0
IBNR	93	73	219	348	733
Financial liabilities and Outstanding claims	719	73	319	348	1,459

d) Capital Management

The Company maintains an efficient capital structure comprised primarily of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of the business.

The Company's objectives in managing its capital are:

c) to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
d) to satisfy the requirements of its policyholders, regulators and rating agencies;
e) to manage exposures to movement in exchange rates.

The Company is regulated by the Prudential Regulation Authority and the Company is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

The Solvency II regime has been effective since 2016 and establishes a set of EU-wide capital requirements, risk management and disclosure standards. The Company is subject to these regulations. The Company is required to meet a Solvency Capital Requirement (SCR) which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a good fit for the Group's risk profile.

For the year ended 31 December 2019, the Company has reviewed its SCR calculation and the directors are comfortable that Company's capital exceeds the minimum required capital by an acceptable margin. The Company believes it is well capitalized under the requirements of Solvency II.

7. Particulars of business

The analysis of business is disclosed by destination and major class, the origin of all business is UK.

			Total		
	Property and Fire	**Liability**	**Direct**	**Reinsurance**	
2019	**$000**	**$000**	**$000**	**$000**	**$000**
Gross Premium written					
Risks located in:					
UK	0	286	286	0	286
Europe	0	0	0	0	0
	0	286	286	0	286
Change in the provision for unearned premium	32	29	61	0	61
Gross premiums earned	32	315	347	0	347
Gross claims incurred	0	146	146	0	146
Gross operating expenses	0	(273)	(273)	0	(273)
Gross technical result	32	188	220	0	220
Reinsurance balance	0	(71)	(71)	0	(71)
Net technical result	32	117	149	0	149
Balance on technical account	32	117	149	0	149
Net technical provisions	0	526	526	0	526

Within gross operating expenses for direct business are included commissions accounted for of USD Nil.

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7. Particulars of business (continued)

The analysis of business is disclosed by destination and major class, the origin of all business is UK.

			Total		
	Property and Fire	**Liability**	**Direct**	**Reinsurance**	
2018	**$000**	**$000**	**$000**	**$000**	**$000**
Gross Premium written					
Risks located in:					
UK	0	345	345	0	345
Europe	77	0	77	0	77
	77	345	422	0	422
Change in the provision for unearned premium	0	35	35	0	35
Gross premiums earned	77	380	457	0	457
Gross claims incurred	0	152	152	0	152
Gross operating expenses	0	(188)	(188)	0	(188)
Gross technical result	77	344	421	0	421
Reinsurance balance	0	300	300	0	300
Net technical result	77	644	721	0	721
Balance on technical account	77	644	721	0	721
Net technical provisions	0	630	630	0	630

Within gross operating expenses for direct business are included commissions accounted for of USD Nil.

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8. Net operating expenses

	2019 $000	2018 $000
Administration expenses	275	193
	275	193
Reinsurance commission income	(2)	(5)
Net operating expenses	273	188
Net operating expenses include:		
Fees payable to the company's auditors for the audit of the company	79	77
Fees payable to the company's auditors for other services:		
Audit-related assurance services	9	38
Other charges including value adjustments:		
Foreign exchange revaluation	(16)	33

The Company has no employees (2018: None). The Company receives services performed by affiliated Chevron entities, both inside and outside of the UK. Certain costs incurred by Chevron Products UK Limited have been recharged to the company and are included in Administration Expenses. Affiliated companies providing services to the Company do not track costs by individuals performing those services. Therefore, there is no reasonable methodology to allocate individual employee costs to the Company.

9. Directors' emoluments

The Company has three directors whose contracts of employment are with affiliated companies. The directors are not paid for their role because it is a function of their employment with the affiliate.

Two directors are accruing benefits under the Chevron Energy Limited defined benefit pension scheme (2018: two). Full disclosure of the scheme is given in the consolidated financial statements of Chevron Energy Limited, for the year ended 31 December 2019. The company is unable to identify its share of the underlying assets and liabilities of the scheme.

10. Investment return

	2019 **$000**	**2018** **$000**
Investment income		
Income from other financial investments	737	658
	737	658
Investment expenses and charges		
Investment management charges	(2)	(2)
	(2)	(2)
Unrealised gains/(losses) on investments		
Movement in unrealised gains/(losses)	7	23
Total investment return	742	679

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11. Tax on profit on ordinary activities

	2019 $000	2018 $000
Current tax:		
UK corporation tax at 19% (2018:19%)		
- Current tax on results for the year	173	260
- Adjustment in respect of prior years	(511)	1
Total current tax	(338)	261
Tax on profit on ordinary activities	(338)	261
Factors affecting the tax charge for the year		
The tax assessed for the year is at the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:		
Non-technical account		
Profit on ordinary activities before tax	907	1,367
- Profit on ordinary activities before tax multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	173	260
- Adjustment in respect of prior years	(511)	1
Total tax (credit) charge for the year	(338)	261

12. Other financial investments

	Market Value		Historical Cost	
	2019 $000	2018 $000	2019 $000	2018 $000
Financial assets at fair value through profit and loss	0	2,918	0	2,925
Total Investments	0	2,918	0	2,925

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12. Other financial investments (continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices in an active market (Level 1).
- Recent transactions in an identical asset if there is unavailability of quoted prices (Level 2).
- Use of a valuation technique if there is no active market or other transactions which are a good estimate of fair value (Level 3).

	Level 1	Level 2	Level 3	Total
2019	**$000**	**$000**	**$000**	**$000**
Financial assets at fair value through profit or loss:				
Debt securities and other fixed income securities	0	0	0	0
Total Investments	0	0	0	0
2018				
Financial assets at fair value through profit or loss:				
Debt securities and other fixed income securities	2,918	0	0	2,918
Total Investments	2,918	0	0	2,918

13. Debtors due from group companies

	2019 $000	2018 $000
Amounts due from group companies are made up as follows:		
Amounts due from group companies – other	16,228	15,715
	16,228	15,715

Amounts due from fellow group undertakings are unsecured and repayable on demand.

14. Called up share capital

	2019 $000	2018 $000
Allotted and fully paid		
30 million (2018: 30 million) ordinary shares of USD 1 each	30,000	30,000

15. Claims provisions

The technical provisions shown in the balance sheet include:

	Gross $000	Reinsurance $000	Net $000
2019			
Claims outstanding	0	0	0
IBNR	608	82	526
Total claims provisions	608	82	526
2018			
Claims outstanding	0	0	0
IBNR	733	131	602
Total claims provisions	733	131	602

15. Claims provisions (continued)

As at December 31, 2019 claims provision consists of IBNR only on the Related Liability and Related Property classes of business. On the Related Liability class, net claims were $526,000 (gross: $600,000). On the Related Property class net claims were $nil (gross: $8,000)

During the year, no adverse run-off deviation was experienced in respect of liability business and no deviation was experienced in respect of property

16. Reconciliation of insurance balances

	Gross		Reinsurers share	
	2019 $000	**2018 $000**	**2019 $000**	**2018 $000**
At 1 January	794	1,069	163	267
Decrease in provision through profit and loss	(146)	(199)	(49)	(76)
Decrease in provision for unearned premium	(61)	(35)	(32)	(28)
Foreign Exchange Movements Investments	21	(41)	0	0
At 31 December	608	794	82	163

17. Creditors arising out of reinsurance operations

	2019 $000	**2018 $000**
Creditors arising out of reinsurance operations are made as follows:		
Owed to Intermediaries	100	100
	100	100

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Notes to the financial statements

for the year ended 31 December 2019 (continued)

18. Financial instruments

	2019 $000	2018 $000
Financial Assets		
Measured at fair value through profit and loss		
Debt Securities and other fixed income securities	0	2,918
	0	2,918
Measured at cost		
Cash at bank	20,574	17,305
Debtors from group companies	16,228	15,715
	36,802	33,020
Measured at amortised cost		
Other Debtors	0	16
Total financial assets	36,802	35,954
Financial Liabilities		
Measured at amortised cost		
Other creditors	434	694
Total financial liabilities	434	694

19. Related party transactions

The company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group. There are no material related party transactions requiring disclosure (2018: nil).

20. Subsequent events

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company, its parent (and its policyholders) operate is uncertain at this time. Management, under the oversight of the Board of Directors, has performed an assessment of the potential effects of COVID-19 on the Company's operations and related financial performance through 30 October 2020. This assessment included consideration of the Company's exposure to losses in relation to Debtors and Other Assets; the Company's exposure to COVID-19 related insurance claims; and the Company's continued ability to meet its solvency and liquidity ratio

20. Subsequent events (continued)

requirements. As a result of this assessment management has ultimately concluded that as at 30 October 2020 the Company's financial performance has not been significantly impacted by the COVID-19 outbreak and it will continue to monitor the situation and any potential future impact on the Company. Furthermore, management has taken measures to preserve the Company's operations through enactment of its business continuity plan and it has assessed the Company's relationship with all critical third-party suppliers and service providers and taken appropriate mitigation actions where necessary.

Offices of the Company

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