Registered Number: 00100097

Royal & Sun Alliance Reinsurance Limited

Annual Report and Accounts

For the year ended 31 December 2019

Contents

Royal & Sun Alliance Reinsurance Limited

Company Information

Directors

Scott Egan

Charlotte Jones

William McDonnell

Nathan Williams

Secretary

Roysun Limited

Registered Office

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Auditor

KPMG LLP
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Strategic report

For the year ended 31 December 2019

The directors present their annual report on the affairs of Royal & Sun Alliance Reinsurance Limited (the 'Company') and the audited financial statements for the year ended 31 December 2019.

The Company is a member of the RSA Insurance Group plc group of companies (the 'Group'). The Group provides the Company with access to all central resources that it needs and provides policies in all key areas including finance, risk, human resources and environment. The directors of the Company have concluded that the Group approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity.

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

Principal activity

The principal activity of the Company and its overseas branches is to provide a settlement function for the insurance activities carried out by the Group offices and Global Network Partners.

Business review

The results for the Company show a profit on ordinary activities before tax of £2,944,000 (2018: £748,000) for the year and gross premiums written of £316,419,000 (2018: £260,432,000). The shareholder's funds of the Company were £73,522,000 as at 31 December 2019 (31 December 2018: £71,106,000).

On 1 January 2019, RSAI plc transferred its European insurance business to its subsidiary RSA Luxembourg S.A. (RSAL) under a Part VII legal arrangement. As a result of this transfer, RSAL became the insurer for risks previously underwritten through RSAI plc's European branch network.

Key performance indicators ('KPIs')

The most relevant KPIs used by the Company in managing the business are as follows:

- Regulatory solvency; The Solvency II SCR coverage ratio at the end of 2019 is approximately 4 times (2018: 9 times) based on the Group's approved Internal Model.

The directors of the Group manage the Group's operations on a divisional basis as described in the Annual Report & Accounts of the Group. For this reason the Company's directors believe that analysis using KPIs for the UK business in aggregate is also relevant to the Company. Further information on KPIs can be found in the Strategic Report of the 2019 Annual Report & Accounts of the Group.

Principal risks and uncertainties

The Company's principal risk is the credit risk of other group companies, Global Network Partners and exchange rate risk. This risk is integrated within and managed together with the other principal risks of the Group. The principal risks and uncertainties of the Group, which include those of the Company, are set out in the Risk management note on pages 20 to 25 of the Company's accounts and the Strategic report of the 2019 Annual Report & Accounts of the Group.

The outbreak of the COVID-19 global pandemic during Q1 2020 has caused significant and unprecedented global uncertainty and market volatility. The Directors continue to closely monitor the impact on operations, staff, customers and underwriting and on primary capital metrics. As at the date of this report, the Directors expect the Solvency Capital Ratio (SCR) to be below that reported at 31 December 2019, although it is expected to remain within its target operating range. The Directors remain comfortable that the company continues to operate as a going concern and can meet payment of its liabilities.

Financial risk management

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from the realisation of its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

The Company's management of risk is set at Group level. The Group's approach to financial risk, through its management of credit, market and liquidity risks and details of the Group's Board Risk Committee can be found from pages 40 and 68 of the 2019 Annual Report and Accounts of the Group.

Credit risk

The Company regularly monitors its aggregate exposures by reinsurer Company against predetermined reinsurer Company limits, in accordance with the methodology agreed by the Board Risk Committee (BRC). The Company's largest reinsurance exposures are both with RSAI and Strategic Network Partners, which are given annual approval by the Group Board.

Credit risk for intercompany balances is managed through a credit risk insurance policy which the Company has with RSAI plc. A financial risk assessment is completed annually for all third party counterparties which is presented to GRCC (Group Reinsurance Credit Committee) annually. All transactions are managed within credit limits set by Group.

The Company is responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. reinsurers). The Group's credit committee is responsible for ensuring these exposures are within its risk appetite. Exposure monitoring and reporting is embedded throughout the organisation with aggregate credit positions reported and monitored at Group level

Market risk

Market risk arises from the Company's investment portfolio and is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations of interest rates and foreign currency exchange rates. Market risk arises in our operations due to the possibility that fluctuations in the value of liabilities are not offset by fluctuations in the value of investments held. Market risk is subject to the Group's Board Risk Committee (BRC) risk management framework, which is subject to review and approval by the Group Board.

Liquidity risk

Liquidity risk refers to the risk of loss to the Company as a result of assets not being available in a form that can immediately be converted into cash, and therefore the consequence of not being able to pay its obligations when due. To help mitigate this risk, the BRC sets limits on assets held by the Company designed to match the maturities of its assets to that of its liabilities. A large proportion of investments are maintained in short-term (less than one year) highly liquid securities, which are used to manage the Company's operational requirements based on actuarial assessment and allowing for contingencies.

Future outlook

There are not expected to be any changes to the Company's activities.

Post-Brexit transition

The Company recognises that leaving the European Union could bring unexpected challenges and extend economic uncertainties.

As the Company moves into the Brexit transition period, there is the potential for economic shocks, claims inflation and supply chain disruption but the Company is working hard to prevent that happening.

The Company continues to monitor all scenarios closely.

Anti-bribery and corruption

The Company takes its commitments to preventing bribery and corruption risk very seriously. Bribery and corruption are not tolerated anywhere in our business and this standard, led by the Board and Group Executive, applies globally.

The Anti-Corruption, Conflicts of Interest, Gifts and Hospitality Policies apply Group-wide and are supported by extensive resources and guidance, including our anti-bribery toolkit, which is available to all our businesses. Mandatory Group-wide Anti-bribery and Corruption training is supplemented by targeted training for staff in higher risk roles, and all employees are required to complete training on whistleblowing. As a result, employees are equipped to identify and escalate issues and behaviours which may constitute corruption. The Company seeks to maintain the right culture by regular reminders of our expectations. Anti-Corruption processes are subject to review by internal audit.

All operating countries must complete regular anti-corruption risk assessments covering all aspects of their businesses, including procedures and HR matters and the high expectations we have of our partners. Operating countries are all given guidance to support them to continuously improve their anti-corruption controls.

The Company strongly encourages our people to speak out if they have concerns about Anti Bribery and Corruption. Our annually-reviewed Group-wide whistleblowing policy, available on the Group intranet, sets out the procedure for colleagues to confidentially raise concerns about suspected wrongdoing and malpractice.

Information on policy compliance is escalated to management. The board receives updates on our anti-corruption controls at least annually. Where a breach is material or not in compliance with regulations, we will report externally.

Human rights

As signatories of the UN Global Compact, the Company is committed to protecting human rights and eliminating discrimination, and our Human Rights policy outlines the expectations placed on employees, business partners and suppliers in this regard to ensure the Company is taking appropriate steps to address the risk of modern slavery in our supply chains. The Company has updated its Third Party Contracts Policy and Supplier Code of Conduct to set a clear expectation of compliance. In addition, the Company has updated its due diligence processes to enable it to assess a supplier's position on human rights and environmental and social issues more effectively.

S172 General Duties of directors

The Board recognises the importance of positive relationships between the Company, its ultimate shareholder and other stakeholders, and is committed to fostering and maintaining strong engagement with them. Open and collaborative dialogue and interaction is in the best interests of the Company and helps us to make a positive contribution to society.

The table below sets out some highlights from the Board's engagement with key stakeholders during 2019, together with details of the actions taken as a result of the engagement.

Stakeholder group and why it is important to engage	Form of engagement and consideration of interests	Outcomes and actions
Customers Good business starts with our customers and we strive to keep them at the heart of what we do. To ensure that we offer the right products at the right price and on the right terms, we work hard to increase our understanding of our customers' risks and their evolving needs. Customer satisfaction and customer retention is critical to the long-term sustainable prospects of the Company. It is vital that we engage with our customers to ensure that we are meeting their expectations	The Board receives regular updates on customer and conduct matters, as well as regular risk and compliance updates. The directors also receive insight from the Group on feedback from our customers, which suggests that their areas of priority include not only efficient underwriting and responsive customer service, but also corporate responsibility, use of technology, innovation and new and changing areas of risk such as cyber and climate change. Customers are protected by virtue of the Company being part of the RSA Group and therefore benefits from 100% reinsurance agreement with Royal & Sun Alliance Insurance plc	Our aim to be a best-in-class insurer means an intense focus on improving customer service and our underwriting and claims technical skills. The Company aims to be proactive, digitally enabled whilst providing tailored products that address evolving customer demands and needs. The regular updates received by the Board have helped ensure the Company promotes and secures positive outcomes for its customers and enabled the Board to focus on all areas which are important to its customers.
Shareholders The Company is wholly-owned by Royal & Sun Alliance Insurance plc and part of the RSA Insurance Group plc group of companies. Its ultimate shareholder is RSA Insurance Group plc, a company listed on the London Stock Exchange.	The directors of the Company are members of the Group Executive Committee which meets regularly. Any matters of concern between the Company and the Group Executive can be shared in this meeting. Since 31 December 2019, the directors of the parent company have been the same as the directors of the ultimate shareholder which ensures closer engagement between the Company and its ultimate shareholder.	Two-way dialogue with the ultimate shareholder is important to the Board and the Directors agree that the mechanisms in place to discuss Company matters with the ultimate shareholder are satisfactory.
Regulators and ratings agencies RSA is committed to working with all of its regulators in an open, cooperative and transparent manner. We seek to ensure a strong regulatory compliance culture throughout the Company in order to pre-empt and, where necessary, resolve regulatory issues and to avoid or minimise business impact and surprises. The Board continues to have constructive engagement with our regulators, ensuring that they gain a comprehensive view of the Company's governance priorities and that we understand the issues of interest to them. Given the importance of our creditworthiness to our customers, investors and other stakeholders, the Group also engages on a regular basis with our two key ratings agencies.	The directors engage regularly with the FCA and PRA, and Board members have met directly with the FCA and PRA. The Board receives periodic updates from the business on regulatory matters and priorities, including the priorities of the Group's regulators in regions other than the UK. Key topics for engagement included culture and governance, treatment of existing customers and technology resilience. Customer conduct, including pricing practices, has continued to be a focus of our regulators across the globe in 2019. The regulatory capital requirements of the Group are also monitored and discussed with the relevant regulators. Senior management interacts regularly with Standard & Poor's, our key rating agency. Board members are kept informed of the current credit views of debt investors and the rating agencies through regular commentary and financial metric reporting at Board meetings.	We receive positive feedback from our meetings with our regulators. The open and regular dialogue has promoted transparency between the Company and the regulators and ensures that we are in a position to reflect the views of our regulators when setting strategy. The outcomes of our engagement with our regulators influences the priorities and focus for the year set out in the Group's regulatory compliance plan which is considered and approved by the Group Audit Committee

By order of the Board

Craig Willox
For and on behalf of Roysun Limited
Secretary

Approved by the board of directors on 18 March 2020

Directors' report
For the year ended 31 December 2019

Directors

The names of the current directors are listed on page 1. From 1 January 2019 to date the following changes have taken place:

Director	Appointed	Resigned
Anthony Buckle		28 October 2019
Charlotte Jones	31 July 2019	
Stephen Lewis		5 February 2019

Directors' responsibilities

The directors' responsibilities statement appears on page 7 and is incorporated by reference into this report.

None of the directors have any interest in the shares of the Company.

Dividends

No interim dividends were paid during the year (2018: £19,000,000). The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2019 (2018: £nil).

Information included within the Strategic report

Information relating to the financial risk management and the likely future developments of the Company is contained within the strategic report on pages 2 to 4 and is incorporated into this report by reference.

Political donations

The Company did not make any political donations during the financial year (2018: £nil).

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Under the Companies Act 2006, the Company is not required to hold an Annual General Meeting and accordingly KPMG LLP will be deemed to be re-appointed for each succeeding financial year.

Essential Contracts and change of control

The Company does not consider that it has any significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid that are required to be disclosed pursuant to paragraph 13(2) (j) of Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause some options and awards granted to employees under such schemes and plans to vest in such circumstances.

Directors' Indemnity

Article 82 and 83 of the Articles of Association provides that, among other things and insofar as permitted by law, the Company may indemnify its directors against any liability and may purchase and maintain insurance against any liability. The directors and officers of the Company also have the benefit of Directors & Officers insurance which provides cover in respect of legal actions brought against them.

Post Balance Sheet Events

There were no post balance sheet events.

Going concern

In considering the appropriateness of the going concern basis, the Board has reviewed the Company's ongoing commitments for the next 12 months and beyond. The Board's review included the Company's strategic plans and updated forecasts, capital position, credit facilities and investment portfolio.

The Board have also considered the principal risks and uncertainties as set out in the Strategic Report including the impact of the COVID-19 pandemic across operations, staff, customers, underwriting and primary capital metrics (as set out in the Strategic Report).

Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the Company to remain a going concern for at least the next 12 months, from both the date of the balance sheet and the approval of the financial statements.

It is therefore concluded that the going concern basis is appropriate for the preparation of the 2019 financial statements.

Signed by order of the Board

Craig Willox
For and on behalf of Roysun Limited
Secretary

Approved by the board of directors on 18 March 2020

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial statements

The directors are responsible for preparing the Strategic report, Directors' report and the Financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Royal & Sun Alliance Reinsurance Limited

1 Our opinion is unmodified

We have audited the financial statements of Royal and Sun Alliance Reinsurance Limited ("the Company") for the year ended 31 December 2019 which comprise the Balance Sheet, as at 31 December 2019, and the Profit and Loss Account, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Company's Regulated Board.

We were appointed as auditor by the directors on 13 May 2013. The period of total uninterrupted engagement is for the seven financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters (unchanged from 2018) in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of claims outstanding
(Gross £356.4 million; 2018: Gross £371.1 million)

Recurring risk ◄►

Refer to page 20 & 21 (accounting policy) and page 30 (financial disclosures).

The risk	Our response
Subjective Valuation: Valuation of claims outstanding is highly judgmental because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business by territory and line of business. The determination and application of the methodology and performance of the calculations are also complex. Certain lines of business have greater inherent uncertainty, for example those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts. These include Marine, Engineering and Casualty portfolios that can result in larger claims over time and Engineering Liability, Professional and Casualty classes that can be very long tailed and associated reinsurance recoveries in relation to these areas. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. However, considering the reinsurance the Company has, the net effect will not be material. **Completeness and accuracy of data:** The valuation of claims outstanding depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating claims outstanding, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of claims outstanding may arise.	With the assistance of our actuarial specialists, we performed the following procedures: — **Control design and observation:** Evaluation of the governance around the overall reserving process. We assessed the qualifications and experience of those responsible and examined the output of the reviews to assess the scope and depth of these processes. The evaluation of the methodologies and key assumptions included the most significant and subjective classes of business and enabled us to assess the quality of challenge applied through the Company's reserving process. — **Independent re-performance:** Perform alternative estimates of the gross and net reserve balances using our own models on certain classes of business. The determination of which classes to perform alternative estimates was based on risk assessment and consideration of the evidence available from other data analysis procedures. — **Sector experience and Benchmarking:** Comparison of assumptions, reserving methodologies and estimates of losses to expectations based on the Company's historical experience, current trends and benchmarking to our own industry knowledge. — **Sensitivity analysis:** Evaluation of management's sensitivity analysis over key judgements and assumptions, such as such large claims and the discount rates for longer tail classes of business. — **Assessing transparency:** Assessing the Company's disclosures relating to claims outstanding, in particular in relation to key and sensitive assumptions. In addition to the above we performed procedures to assess the completeness and accuracy of data: — **Control design and observation:** Evaluation of key controls designed to ensure the integrity of the data used in the actuarial reserving process. The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems.

	— **Test of detail:** Performing reconciliations between the claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to ensure the integrity of the data used in the actuarial reserving process. We also compared samples of claims case reserves to appropriate documentation, such as reports from loss adjusters in order to test the valuation of individual claims reserves. **Our results** — We found the valuation of the claims outstanding to be acceptable (2018 result: acceptable).

IT systems and control environment

Recurring risk ◄►

The risk	Our response
Processing errors Many financial reporting controls depend on the correct functioning of operational and financial IT systems. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems or inappropriate changes being made to financial data or systems. This is an area of significant risk in our audit due to the complexity of the IT infrastructure, particularly where there are legacy systems which require increased manual inputs, relative to more automated processes.	With the assistance of our own IT audit specialists, our procedures included: — **Controls design and observation:** Where we have planned to rely on IT systems, testing general IT controls around system access, change management and computer operations within specific applications pertinent to the financial statements by assessing if appropriate policies are in place and adhered to by inspecting supporting evidence. Where the general IT controls we have chosen to test are not operating effectively, we addressed the increased risk of financial statement misstatement by extending the scope of our work. This included assessing the operation of controls over changes or transactions being recorded in the systems and testing manual compensating controls, such as reconciliations between systems and other information sources, through re-performance or inspection. — **Extended scope:** Where general IT controls and compensating manual controls did not operate to mitigate a risk, we performed additional substantive testing, such as using extended sample sizes and performing data analysis routines over impacted accounts to test the integrity of the transactional level data that is flowing into the Group financial statements **Our results** — Where we tested general IT controls, we identified deficiencies in the design and operation of these controls. In response to weaknesses in general IT controls we expanded the extent of our detailed testing over and above that originally planned, and this work was completed satisfactorily. (2018 result: Our testing identified deficiencies in the design and operation of controls. As a result we expanded the extent of our detailed testing over and above that originally planned, and this work was completed satisfactorily).

Independent auditor's report to the members of Royal & Sun Alliance Reinsurance Limited

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £4.5m (2018: £4.5m), determined with reference to a benchmark of estimated total assets (2018: net assets, normalised to exclude this year's dividends payed of £19m as disclosed in the Statement of Changes in Equity, of £90m), of which it represents 0.8% (2018: 5%). We believe that total assets is a more appropriate benchmark than profit before tax, because the gross written and earned premiums are 100% reinsured and therefore the profit or loss of the Company does not represent the overall activity or size of the entity. We changed our benchmark to total assets in the current year as it is considered a more relevant measure for the users of the financial statements. We agreed to report to the Company's Regulated Board any corrected or uncorrected identified misstatements exceeding £0.2m (2018: £0.2m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above.

4 We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit and COVID-19, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in this respect, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Royal & Sun Alliance Reinsurance Limited

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of company's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica S.S. Katsouris

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
19 March 2020

Royal & Sun Alliance Reinsurance Limited

Profit and Loss Account

for the year ended 31 December 2019

Technical account – General business	Notes	2019 £000	2018 *Restated £000
Gross premiums written	6	**316,419**	260,432
Outward reinsurance premiums		**(316,419)**	(260,432)
Premiums written, net of reinsurance		**-**	-
Change in the gross provision for unearned premiums		**(13,206)**	9,261
Change in provision for unearned premiums, reinsurers' share		**13,206**	(9,261)
Earned premiums, net of reinsurance		**-**	-
Claims paid			
Gross amount		**(171,448)**	(183,401)
Reinsurers' share		**171,448**	183,401
		-	-
Change in the provision for claims			
Gross amount		**1,495**	4,839
Reinsurers' share		**(1,495)**	(4,839)
		-	-
Claims incurred, net of reinsurance		**-**	-
Reinsurance commissions and net acquisition costs		**833**	837
Net operating expenses		**833**	837
Balance on the technical account for general business	6	**833**	837

*2018 has been restated. The adjustments have no impact to the overall balance on the technical account. Further information is provided in note 19.

Profit and Loss account (continued)

for the year ended 31 December 2019

Non-technical account	Notes	2019 £000	2018 £000
Balance on the technical account for general business		**833**	837
Investment income	9	**1,224**	405
Realised gains/ (losses) on investments		**451**	(31)
Investment expenses, charges and interest		**(18)**	(1)
Foreign exchange gains/ (losses)		**454**	(462)
Profit on ordinary activities before tax		**2,944**	748
Taxation on profit on ordinary activities	12	**(506)**	(149)
Profit for the financial year		**2,438**	599

Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Profit for the financial year		**2,438**	599
Items that will be reclassified to profit or loss when specific conditions are met:			
Unrealised (losses) / gains on other financial instruments classified as available for sale net of tax		**(22)**	90
Total comprehensive income for the year		**2,416**	689

The attached notes on pages 17 to 31 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Called up share capital	Available for sale reserve	Profit and loss account	Shareholder's funds
	£000	£000	£000	£000
Balance at 1 January 2018	70,000	(205)	19,622	89,417
Profit for the financial year	-	-	599	599
Other comprehensive income	-	90	-	90
Total comprehensive income for the year	-	90	599	689
Dividends paid	-	-	(19,000)	(19,000)
Balance at 31 December 2018	**70,000**	**(115)**	**1,221**	**71,106**
Profit for the financial year	-	-	2,438	2,438
Other comprehensive expense	-	(22)	-	(22)
Total comprehensive (expense) / income for the year	-	**(22)**	**2,438**	**2,416**
Balance at 31 December 2019	**70,000**	**(137)**	**3,659**	**73,522**

The attached notes on pages 17 to 31 form an integral part of these financial statements.

Balance Sheet

as at year ended 31 December 2019

Assets	Notes	2019 £000	2018 *Restated £000
Other financial investments			
Debt securities and other fixed income securities	13	**55,517**	38,412
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	**76,998**	66,773
Claims outstanding	15	**356,424**	371,117
		433,422	437,890
Debtors			
Debtors arising out of reinsurance operations		**28,515**	32,473
Amounts owed by group undertakings		**44,194**	2,437
Other debtors (including deferred taxation)		**28**	23
		72,737	34,933
Other assets			
Cash at bank and in hand		**10,158**	9,596
Prepayments and accrued income			
Accrued interest and rent		**297**	163
Deferred acquisition costs		**7,566**	6,992
		7,863	7,155
Total assets		**579,697**	527,986

* See note 19 for details regarding the restatement.

The attached notes on pages 17 to 31 form an integral part of these financial statements.

Balance Sheet (continued)

for the year ended 31 December 2019

Liabilities	Notes	2019 £000	2018 *Restated £000
Capital and reserves			
Called up share capital	17	70,000	70,000
Available for sale reserve		(137)	(115)
Profit and loss account		3,659	1,221
		73,522	71,106
Technical provisions			
Provision for unearned premiums		76,998	66,773
Claims outstanding		356,424	371,117
		433,422	437,890
Creditors			
Creditors arising out of reinsurance operations		4,461	9,865
Amounts owed to group undertakings		60,220	1,984
Other creditors (including current taxation)		506	149
		65,187	11,998
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		7,566	6,992
Total liabilities		579,697	527,986

* See note 19 for details regarding the restatement.

The attached notes on pages 17 to 31 form an integral part of these financial statements.

The financial statements were approved on 18 March 2020 by the Board of Directors and are signed on its behalf by:

CHARLOTTE JONES
Director

1.Basis of preparation

The Company is a wholly owned subsidiary of Royal & Sun Alliance Insurance plc (RSAI) and is incorporated and domiciled in the UK. The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. RSA Insurance Group plc has prepared its consolidated financial statements under IFRS as adopted by the EU since its date of transition to IFRS at 1 January 2004.

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework and in compliance with the Companies Act 2006. The financial statements are prepared on a historical cost basis. Where other bases are applied, these are identified in the relevant accounting policy.

The Company's financial statements are presented in pound sterling (£), which is also the Company's functional currency and rounded to the nearest thousand except where otherwise indicated.

In preparing the financial statements, the Company applies the recognition, measurement and disclosure of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but makes amendments where necessary in order to comply with Companies Act 2006. The Company has set out below where advantage of FRS 101 exemptions has been taken.

The exemptions used by the Company are as follows:

- Cash Flow Statement and related notes;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of transactions between two or more wholly owned subsidiaries of the group; and
- As permitted by FRS 101 the company has taken advantage of the exemption available not to present a restated financial position as at 31 December 2017 which would normally be required when making retrospective restatements.

2.Adoption of new and revised standards

No new or revised standards that are applicable to the Company for the first time in 2019 have had a significant impact on the financial statements.

As set out above, the Company takes advantage of the FRS 101 exemption for disclosure of the effects of new but not yet effective IFRSs.

3.Selection of significant accounting policies

The significant accounting policies used in the preparation of these financial statements, as set out below have been applied consistently to all periods presented, unless otherwise stated.

The Company has not made any significant changes to its accounting policies during 2019.

(i) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the Company's business operations using the exchange rates prevailing at the time of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(ii) Financial instruments

Classification and measurement of financial assets and financial liabilities

The Company initially recognises financial instruments at their fair value on the date at which they are purchased.

At initial measurement, the Company classifies its financial assets and financial liabilities in one of the following categories:

- Designated at fair value through profit and loss (FVTPL):
- Held for trading;
- Available for sale (AFS);
- Cash and cash equivalents
- Loans and receivables; or
- Financial liabilities.

Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities that are not FVTPL are added to their fair value in their initial measurement.

The table below summarises the classification and treatment of the Company's financial assets and financial liabilities

Category	Financial instrument	Description	Subsequent measurement	Recognition of change in fair value
Available for sale (AFS)	Debt securities, equity securities	Where the investment return on equity or debt securities is managed on the basis of the periodic cash flows arising from the investment	Fair value using prices at the end of the period	Other comprehensive income - unrealised gains/(losses) Profit & loss account – realised gains/(losses) when derecognised; Investment expenses, charges and interest when impaired
Cash at bank and in hand	Cash and cash equivalents	Consist of cash and highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash	Carrying amounts at amortised cost	

Investment income

Dividends on equity investments are recognised as investment income in the profit and loss account on the date at which the investment is priced 'ex dividend'. Interest income is recognised in the profit and loss account using the effective interest rate method.

Impairment of financial instruments

The Company determines, at each reporting date, whether there is evidence that the value of a financial asset or a group of financial assets, other than those measured as FVTPL are impaired. A financial asset is impaired if there is objective evidence that indicates that an event has occurred after the initial recognition of the asset that may have resulted in a loss of value as a result of having a negative effect on the estimated future cash flows generated by that asset which can be estimated reliably.

An impairment loss in respect of debt instruments is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate of the instrument and is recognised in the profit and loss account. Interest on the impaired asset continues to be recognised using the effective interest rate method.

For equity securities whose fair values are readily determined and where there is objective evidence that such an asset is impaired by a 'significant' or 'prolonged' decline in the fair value below cost, the net loss previously charged to other comprehensive income is reclassified to the consolidated income statement.

If the fair value of a previously impaired debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the profit and loss account. Impairment losses on equity investments are not reversed.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' has been issued to replace IAS 39 'Financial Instruments: Recognition and Measurement' and primarily changes the classification and measurement of financial assets. The Company qualifies for a temporary exemption from applying IFRS 9, until the implementation of IFRS 17 'Insurance Contracts', on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance. Further information can be found in note 13.

(iii) Insurance contracts

Product classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain future event (other than a change in financial variable) adversely affects the policyholder. Any contracts not meeting the definition of an insurance contract under IFRS are classified as investment contracts or derivative contracts, as appropriate.

Premium income

Premium written is recognised in the period in which the Company is legally bound through a contract to provide insurance cover. It represents the full amount of premiums receivable under the contract, including estimates where the amounts are not known at the date they are written. These are deferred as a provision for unearned premiums until recognised as revenue principally computed on a monthly or daily pro-rata basis. Premiums are shown before deduction of commission and exclude any sales based taxes or duties.

Technical provisions

The provision for unearned premium represents the portion of the premiums written relating to the periods of insurance coverage subsequent to the end of the reporting period after the deduction of related acquisition costs.

Claims incurred represent the cost of agreeing and settling insurance claims on insurance contracts underwritten by Company, net of reinsurance recoveries. Claims outstanding are recognised at the estimated ultimate cost, net of expected salvage and subrogation recoveries when a claim is incurred.

Gross claims outstanding and related reinsurance recoveries are discounted where there is a long period from incident to claims settlement or when nominal interest rates are high and where there exists a suitable claims payment pattern from which to calculate the discount. In defining those claims with a long period from incident to claims settlement, an average period settlement of six years or more has been used as a guide. The discount rate used is based upon an investment return expected to be earned by financial assets which are appropriate in value and duration to match the claims outstanding being discounted during the period expected before the final settlement of such claims.

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the profit and loss account in the year in which they are settled or in which the claims outstanding are re-estimated.

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Levies payable are treated as costs of underwriting business. These costs are recognised as deferred acquisition costs (DAC). DAC is amortised on the same basis as the related unearned premiums are earned.

At the end of each reporting period liability tests are performed to ensure the adequacy of the technical provisions by considering the cash flows associated with the provision for unearned premium net of related DAC. In performing these tests, best estimates of future contractual cash flows, including loss adjustment and administrative expenses as well as investment income on financial assets backing such liabilities are used. Any deficiency is charged to the technical account immediately by establishing a provision for liability adequacy (the unexpired risk provision). The unexpired risk provision is assessed in aggregate for business classes which, in the opinion of the directors, are managed together.

Reinsurance ceded

Premiums payable in respect of reinsurance ceded are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not finalised at the end of the reporting period. The ceded written premiums are recognised in the profit and loss account over the period of the reinsurance contract, based on the expected earning pattern in relation to the underlying insurance contract(s).

Reinsurers' share of technical provisions includes the reinsurers' share of claims outstanding and the provision for unearned premiums. The Company reports third party reinsurance balances on the balance sheet on a gross basis to present the exposure to credit risk related to third party reinsurance. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Company may not receive all amounts due under the reinsurance contract.

(iv) Taxation and deferred tax

Taxation and deferred tax are recognised in the profit and loss account, except to the extent that the tax arises from a transaction or event recognised either in other comprehensive income or directly in equity.

Taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments for prior years.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses and temporary differences can be utilised.

(v) Dividends to shareholders

Dividends payable on the Company's ordinary shares are recognised in equity in the period in which they are declared and authorised.

4. Critical judgements and major sources of estimation uncertainty

The preparation of the financial statements requires the Company to exercise judgements in the use of estimates and assumptions in a number of key areas. The most significant of these are as follows:

(i) Valuation of claims outstanding

The Company makes judgements when valuing gross claims outstanding. The methodology of measuring gross claims outstanding is described below.

Provisions for gross losses and loss adjustment expenses are subject to a robust reserving process by the Company and at Group Corporate Centre, as detailed in the Risk Management note below.

There is also considerable uncertainty in regard to the eventual outcome of the gross claims that have occurred by the end of the reporting period but remain unsettled. This includes claims that may have occurred but have not yet been notified to the Company and those that are not yet apparent to the insured.

The provisions for losses and loss adjustment expenses are estimated using previous claims experience with similar cases, historical payment trends, the volume and nature of the insurance underwritten by the Company and current specific case reserves. Also considered are developing loss payment trends, the potential longer term significance of large events, and the levels of unpaid claims, legislative changes, judicial decisions and economic, political and regulatory conditions.

The Company uses a number of commonly accepted actuarial projection methodologies to determine the appropriate provision to recognise. These include methods based upon the following:

- The development of previously settled claims, where payments to date are extrapolated for each prior year;
- Estimates based upon a projection of claims numbers and average cost;
- Notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years;
- Expected loss ratios;
- Bornhuetter-Ferguson method, which combines features of the above methods; and
- Bespoke methods for specialist classes of business.

In selecting the method and estimate appropriate to any one class of insurance business, the Company considers the appropriateness of the methods and bases to the individual circumstances of the provision class and accident year.

Individually large and significant claims are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of large claims.

All gross claims are 100% reinsured, so at a net level they are more certain. The net provision considers the security of the reinsurers and potential exhaustion of the reinsurance cover.

The level of provision carried by the Company targets the actuarial indication outlined above.

5. Risk management

Introduction

RSA Insurance Group plc, of which the Company is an important part, is managed along divisional lines. The Company processes reinsurance transactions carried out by RSA Insurance Group plc offices and Global partners. The directors of the Company have considered whether the Group's approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity. They have concluded that it does. The following discussion sets out the approach of the Group, and hence of the Company, to risk management.

The Company is not exposed to risks arising from insurance contracts as risks are fully reinsured.

Financial risk

Financial risk refers to the risk of financial loss predominantly arising from investment transactions entered into by the company and includes the following risks:

- Credit risk;
- Market risk including price, interest rate and currency rate risks; and
- Liquidity risk.

Reinsurance

The Company is exposed to disputes on, and defects in, contracts with its reinsurers and the possibility of default by its reinsurers. The Company is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance capacity constraints. In selecting the reinsurers with whom the Company conducts business its strategy is to seek reinsurers with the best combination of financial strength, price and capacity. The Group Corporate Centre publishes internally a list of authorised reinsurers who pass the Company's selection process and which its operations may use for new transactions.

The Company monitors the financial strength of its reinsurers, including those to whom risks are no longer ceded. Allowance is made in the financial position for non-recoverability due to reinsurer default by requiring operations to provide, in line with Company standards, having regard to companies on the Company's 'Watch List'. The 'Watch List' is the list of companies whom the directors believe will not be able to pay amounts due to the Company in full.

Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial or contractual obligations to the Company.

The Company is exposed to credit and concentrations of risk with individual network partners, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The reinsurance strategy is to purchase reinsurance in the most effective manner from reinsurers who meet the Company's security standards. Reinsurance counterparties are subject to a rigorous internal assessment process on an ongoing basis to ensure that their creditworthiness continues to be satisfactory and the potential impact from reinsurer default is measured regularly and managed accordingly. The Group's Reinsurance Credit Committee oversees the management of these risks. Company standards are set such that reinsurers that have a financial strength rating of less than 'A-' with Standard & Poor's, or a comparable rating, are removed from the Company's authorised list of approved reinsurers unless the Company's internal review identifies exceptional circumstances in favour of the reinsurer. Collateral is taken, where appropriate, to mitigate exposures to acceptable levels.

The Company regularly monitors its aggregate exposures by reinsurer company against predetermined reinsurer company limits, in accordance with the methodology agreed by the Board Risk Committee (BRC). The Company's largest reinsurance exposures are both with RSAI and Strategic Network Partners, which are given annual approval by the Group Board.

Credit risk for intercompany balances is managed through a credit risk insurance policy which the Company has with RSAI plc. A financial risk assessment is completed annually for all third party counterparties which is presented to GRCC (Group Reinsurance Credit Committee) annually. All transactions are managed within credit limits set by Group.

The Company is responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. reinsurers). The Group's credit committee is responsible for ensuring these exposures are within its risk appetite. Exposure monitoring and reporting is embedded throughout the organisation with aggregate credit positions reported and monitored at Group level.

The credit profile of the Company's assets exposed to credit risk is shown below. The credit rating bands are provided by independent rating agencies. The table below sets out the Company's aggregated credit risk exposure for its financial and insurance assets.

	Credit rating relating to financial assets that are neither past due nor impaired						
	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not rated**	**Total financial assets that are neither past due nor impaired**
As at 31 December 2019	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Debt securities and other fixed income securities	**15,744**	**2,511**	**34,815**	**2,447**	**-**	**-**	**55,517**
Of which would qualify for SPPI under IFRS[1]	**15,744**	**2,511**	**34,815**	**2,447**	**-**	**-**	**55,517**
Reinsurers' share of technical provisions	**-**	**5,362**	**416,862**	**11,082**	**-**	**116**	**433,422**
Reinsurance debtors[2]	**-**	**1,076**	**6,391**	**5,126**	**83**	**4,505**	**17,181**
Cash at bank and in hand	**-**	**-**	**10,158**	**-**	**-**	**-**	**10,158**

Notes:

1. The debt securities meeting solely for payment of principle and interest (SPPI) criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value and where loans and receivables are measured using amortised cost their carrying amounts are considered to be as approximate fair values.
2. The reinsurance debtors classified as not rated comprise global partners that do not have individual credit ratings. The overall risk to the Company is deemed to be low as the cover could be cancelled if payments were not received on a timely basis.

	Credit rating relating to financial assets that are neither past due nor impaired						*Restated
	AAA	AA	A	BBB	<BBB	Not rated	Total financial assets that are neither past due nor impaired
As at 31 December 2018	£000	£000	£000	£000	£000	£000	£000
Debt securities and other fixed income securities	18,596	7,369	12,447	-	-	-	38,412
Of which would qualify for SPPI under IFRS[1]	18,596	7,369	12,447	-	-	-	38,412
Reinsurers' share of technical provisions	-	5,934	388,418	43,430	-	108	437,890
Reinsurance debtors[2]	-	1,078	6,892	6,924	-	8,299	23,193
Cash at bank and in hand	-	-	9,596	-	-	-	9,596

Notes:

1. The debt securities meeting SPPI criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value and where loans and receivables are measured using amortised cost their carrying amounts are considered to be as approximate fair values.
2. The reinsurance debtors classified as not rated comprise global partners that do not have individual credit ratings. The overall risk to the Company is deemed to be low as the cover could be cancelled if payments were not received on a timely basis.

* See note 19 for details regarding the restatement as a result of an error.

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired as at 31 December 2019 and 2018, excluding those assets that have been held for sale.

		Financial assets that are past due but not impaired						
	Neither past due nor impaired	**Up to three months**	**Three to six months**	**Six months to one year**	**Greater than one year**	**Financial assets that have been impaired**	**Carrying value in the balance sheet**	**Impairment losses charged to income statement**
As at 31 December 2019	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Debt securities and other fixed income securities	**55,517**	**-**	**-**	**-**	**-**	**-**	**55,517**	**-**
Reinsurers' share of technical provisions	**433,422**	**-**	**-**	**-**	**-**	**-**	**433,422**	**-**
Reinsurance debtors	**17,181**	**3,183**	**3,593**	**2,956**	**1,602**		**28,515**	**-**
Cash at bank and in hand	**10,158**	**-**	**-**	**-**	**-**	**-**	**10,158**	**-**

		Financial assets that are past due but not impaired						*Restated
	Neither past due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Financial assets that have been impaired	Carrying value in the balance sheet	Impairment losses charged to income statement
As at 31 December 2018	£000	£000	£000	£000	£000	£000	£000	£000
Debt securities and other fixed income securities	38,412	-	-	-	-	-	38,412	-
Reinsurers' share of technical provisions	437,890	-	-	-	-	-	437,890	-
Reinsurance debtors	23,193	3,272	2,376	1,401	2,231	-	32,473	-
Cash at bank and in hand	9,596	-	-	-	-	-	9,596	-

* See note 19 for details regarding the restatement as a result of an error.

Market risk

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations of interest rates and foreign currency exchange rates. Market risk arises in our operations due to the possibility that fluctuations in the value of liabilities are not offset by fluctuations in the value of investments held. Market risk is subject to the BRC risk management framework, which is subject to review and approval by the Board.

Market risk can be further broken down into the following key components:

(i) Interest rate risk

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed income securities and their movement relative to the value placed on insurance liabilities. This impacts the fair value and amount of variable returns on existing assets as well as the cost of acquiring new fixed maturity investments.

Given the composition of the Company's investments as at 31 December 2019, the table below illustrates the impact to the profit and loss account and other comprehensive income of a hypothetical 100bps change in interest rates on fixed income securities that are subject to interest rate risk.

	Increase in profit and loss account		Decrease in other comprehensive income	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Increase in interest rate markets:				
Impact on fixed income securities of increase in interest rates of 100bps	**-**	-	**1.6**	1.6

The Company principally manages interest rate risk by holding investment assets (predominantly fixed income) that generate cash flows which broadly match the duration of expected claim settlements and other associated costs.

The sensitivity of the fixed interest securities of the Company has been modelled by reference to a reasonable approximation of the average interest rate sensitivity of the investments held within each of the portfolios. The effect of movement in interest rates is reflected as a one time rise of 100bps on 1 January 2020 and 1 January 2019 on the following year's profit and loss account and other comprehensive income. The impact of an increase in interest rates on the fair value of fixed income securities that would be initially recognised in OCI will reduce over time as the maturity date approaches.

(ii) Currency risk

The non-investment foreign exchange currency risk resides with Royal & Sun Alliance Insurance plc. Whereas the exchange risk relating to securities held in foreign currency resides with the Company.

The Company uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal capital model to inform the Company's decision making, planning process and also for identification and management of risks within the business units.

The table below illustrates the impact of a hypothetical 10% change in Pounds Sterling against Euro, Canadian Dollar and US Dollar on shareholders' funds as at 31 December.

	Strengthening against Euro	Weakening against Euro	Strengthening against Canadian Dollar	Weakening against Canadian Dollar	Strengthening against United States Dollar	Weakening against United States Dollar
	£000	£000	£000	£000	£000	£000
2019	**3,229**	**(3,946)**	**4,303**	**(5,260)**	**1,166**	**(1,425)**
2018	(65)	79	1,667	(2,025)	1,169	(1,429)

Liquidity Risk

Liquidity risk refers to the risk of loss to the Company as a result of assets not being available in a form that can immediately be converted into cash, and therefore the consequence of not being able to pay its obligations when due. To help mitigate this risk, the BRC sets limits on assets held by the Company designed to match the maturities of its assets to that of its liabilities.

A large proportion of investments are maintained in short-term (less than one year) highly liquid securities, which are used to manage the Company's operational requirements based on actuarial assessment and allowing for contingencies.

The following table summarises the contractual repricing or maturity dates (whichever is earlier) for financial liabilities that are subject to fixed and variable interest rates. Direct insurance creditors are also presented and are analysed by remaining duration until settlement.

	Less than one year	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**	**Five to ten years**	**Total**	**Carrying value in the balance sheet**
As at 2019	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Amounts owed to group undertakings	**60,220**	**-**	**-**	**-**	**-**	**-**	**60,220**	**60,220**
Reinsurance creditors	**4,439**	**22**	**-**	**-**	**-**	**-**	**4,461**	**4,461**
Total	**64,659**	**22**	**-**	**-**	**-**	**-**	**64,681**	**64,681**

As at 2018	Less than one year £000	One to two years £000	Two to three years £000	Three to four years £000	Four to five years £000	Five to ten years £000	Total £000	Carrying value in the balance sheet £000
Amounts owed to group undertakings	1,984	-	-	-	-	-	1,984	1,984
Reinsurance creditors	9,258	607	-	-	-	-	9,865	9,865
Total	11,242	607	-	-	-	-	11,849	11,849

Capital Management

The Company is a wholly owned subsidiary of RSA Insurance Group plc and is regulated by the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA').

It is a key regulatory requirement that the Company maintains sufficient capital to support its exposure to risk. Accordingly, the Group's and the Company's capital management strategy is closely linked to its monitoring and management of risk. The Group's capital objectives consist of striking the right balance between the need to support claims liabilities and ensure the confidence of policyholders, exposure to other risks, support competitive pricing strategies, meet regulatory capital requirements, and providing adequate returns for its shareholders.

The Company's overall capital position is primarily comprised of shareholders' equity and subordinated loan capital and aims to maximise shareholder value, while maintaining financial strength and maintaining adequate regulatory capital. In addition the Group and the Company also aims to hold sufficient capital so as to maintain its single 'A' credit rating.

The Group's regulated entities hold appropriate levels of capital to satisfy applicable local regulations. Compliance with local regulatory requirements is embedded within the BRC mandate, for the protection of the Company's policyholders and the continuation of the Company's ability to underwrite.

Investments have increased during the year due to a transfer from Royal and Sun Alliance Insurance plc which has been pledged as collateral to RSA Canada. This is required by local regulations as Royal & Sun Alliance Reinsurance Limited acts as a reinsurer on RSA Canada's Local Excess of Loss treaties and Global Network. The total amount pledged as collateral at 31 December 2019 was CAD $97,011k.

Regulatory solvency position during 2019

The Group's Solvency II Internal Model was approved by the PRA in December 2015 and forms the basis of the primary Solvency II SCR measure.

The internal model is used to support, inform and improve the Company's decision making. It is used to determine the Group's and Company's optimum capital structure, its investment strategy, its reinsurance programme and to determine the pricing and target returns for each portfolio.

At 31 December 2019, the Company's estimated SCR and corresponding Eligible Own Funds were as follows;

	Estimated (unaudited) 2019 £m	(unaudited) 2018 £m
Eligible Own Funds	**69**	67
SCR	**16**	8
Coverage (unrounded)	**427%**	857%

The Solvency and Financial Condition Report of the Group, which covers information on the solvency and financial condition of the Company, as required by Solvency II for the year ended 31 December 2019 will be publicly available in April 2020.

Shareholders' funds

The Company uses a variety of metrics to monitor its capital position including Shareholders' funds, which are £73,522k as at 31 December 2019 (2018: £71,106k).

Own Risk and Solvency Assessment (ORSA)

The Solvency II directive introduced a requirement for undertakings to conduct an ORSA. RSA received approval in April 2019 from the PRA to produce a single ORSA report covering the UK entities, including the Company. The approval is now in place until 2023 and it replaces the original approval received in 2016.

The Group defines its ORSA as a series of inter-related activities by which it establishes:

- The quantity and quality of the risks which it seeks to assume or to which it is exposed;
- The level of capital required to support those risks; and

- The actions it will take to achieve and maintain the desired levels of risk and capital.

The assessment considers both the current position and the positions that may arise during the planning horizon of the Company (typically the next three years). It looks at both the expected outcome and the outcome arising when the plan assumptions do not materialise as expected.

The assessments of how much risk to assume and how much capital to hold are inextricably linked. In some situations, it may be desirable to increase the amount of risk assumed or retained in order to make the most efficient use of capital available or else to return excess capital to capital providers. In other situations, where the risks assumed give rise to a capital requirement that is greater than the capital immediately available to support those risks, it will be necessary either to reduce the risk assumed or to obtain additional capital.

The assessment of risk and solvency needs is in principle carried out continuously. In practice, the assessment consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals.

Papers are presented to the Board throughout the year dealing with individual elements that make up the ORSA. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report, which is submitted to the Company's regulators as part of the normal supervisory process.

The ORSA is approved by the BRC.

6.Segmental information

a) By business class

	Group re-insurance provider for marine, casualty & property treaties	**Multi-national reinsurance business**	**Total**
2019	**£000**	**£000**	**£000**
Gross premiums written	**42,570**	**273,849**	**316,419**
Gross earned premiums	**42,768**	**260,445**	**303,213**
Gross claims incurred	**(45,745)**	**(124,209)**	**(169,954)**
Operating expenses	**(329)**	**(25,226)**	**(25,555)**
Gross technical result	**(3,306)**	**111,010**	**107,704**
Reinsurance balance	**4,139**	**(111,010)**	**(106,871)**
Net technical result	**833**	**-**	**833**

	Group re-insurance provider for marine, casualty & property treaties	Multi- national reinsurance business	Total
	*Restated	*Restated	*Restated
2018	£000	£000	£000
Gross premiums written	43,085	217,347	260,432
Gross earned premiums	43,575	226,118	269,693
Gross claims incurred	(21,035)	(157,527)	(178,562)
Operating expenses	(407)	(23,885)	(24,292)
Gross technical result	22,133	44,706	66,839
Reinsurance balance	(21,296)	(44,706)	(66,002)
Net technical result	837	-	837

*The comparative information is restated on account of correction of errors. See note 19. The adjustments have no impact to the overall balance on the technical account for 2018.

b) By geographical segment

	2019	2018

Gross premiums written	£000	£000
UK	**123,840**	86,642
Other EEA	**121,213**	111,712
Far East and Australasia	**6,500**	3,501
Canada	**41,936**	39,128
Chile	**13,708**	6,874
Other	**9,222**	12,575
	316,419	260,432

7. Exchange rates

The rates of exchange used in these accounts in respect of the major overseas currency are;

	2019 Cumulative average	**2019 End of period**	2018 Cumulative average	2018 End of period
Euro	**1.14**	**1.18**	1.13	1.11
Canadian Dollar	**1.70**	**1.72**	1.73	1.74
United States Dollar	**1.28**	**1.32**	1.33	1.27

Other comprehensive income includes £454k of net gains (2018: £462k of net losses) on the retranslation of foreign currency items, into the functional currency of the Company.

8. Auditor's remuneration

Fees payable to KPMG LLP for the audit of the Company's accounts for the year ended 31 December 2019 were £60,000 (31 December 2018: £45,000) which were borne by the Company's parent company, Royal & Sun Alliance Insurance plc.

9. Investment Income, expenses and charges

	2019	2018
	£000	£000
Income from cash at bank and in hand	**62**	101
Investment income from debt and fixed income securities	**1,162**	304
	1,224	405

10. Directors' emoluments

The directors were all remunerated by Royal & Sun Alliance Insurance plc, the Company's parent company, for their services to the RSA Group as a whole. A small part of this remuneration, as detailed below is for services carried out to Royal & Sun Alliance Reinsurance Limited.

The table below shows the associated amounts as shown in the accounts of Royal & Sun Alliance Insurance plc.

	2019	2018
The aggregate emoluments of the directors, including amounts received from, subsidiaries, were as follows;	**£000**	£000
Salaries and bonuses	**4,102**	2,469
Allowances, benefits and other awards	**1,179**	499
	5,281	2,968

The criteria for making bonus awards are based on targeted levels of business sector profit and specific business objectives.

	2019	2018
The emoluments of the highest paid director were;	£000	£000
Salaries, bonuses, allowances, benefits and other awards	1,449	932

No amounts were paid into a pension scheme in respect of the highest paid directors' qualifying services during 2019 (2018: none).

During 2019, no retirement benefits accrued under defined benefit schemes for directors (2018: none). During 2019, contributions of £11,542 (2018: £6,875) were made to Group defined contribution schemes during the year in respect of two directors (2018: one director).

During 2019, no directors exercised share options (2018: one director) and four directors (2018: three directors) had shares awards vesting under long term incentive schemes in respect of ordinary shares of the Company's ultimate parent company.

11.Employees and staff costs

The Company did not employ anyone during the period (2018: none). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company. (2018: £nil).

12.Taxation

The charge for taxation in the profit and loss account comprises:

	2019	2018
	£000	£000
Current tax		
UK corporation tax	519	155
Adjustments in respect of prior periods	(13)	(6)
Total current tax	506	149
Total tax charge	506	149

The UK corporation tax for the current year is based on a rate of 19.0% (2018: 19.0%)

Reconciliation of the total tax charge

	2019	2018
	£000	£000
Profit on ordinary activities before tax	2,944	748
Tax at the UK rate of 19.0% (2018: 19.0%)	559	142
Factors affecting charge:		
Tax exempt income an investment gains	-	1
Fiscal adjustments	(40)	12
Adjustments to tax charge in respect of previous periods	(13)	(6)
Total tax charge	506	149

The deferred income tax credit to each component of other comprehensive income is as follows:

	2019	2018
	£000	£000
Fair value gains and losses	(27)	108
Deferred tax	5	(18)
Total (charge)/credit to other comprehensive income	(22)	90

13.Financial assets

	2019	2018
	£000	£000
Government securities	32,141	31,871
Corporate bonds	23,376	6,541
Total available for sale financial assets measured at fair value	**55,517**	38,412

IFRS9 'Financial Instruments'

The Company qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance.

The fair value at 31 December 2019 and change during the year of debt securities that are held to collect cash flows on specified dates that are solely for payment of principle and interest (SPPI) and are not held for trading as defined under IFRS 9, nor are managed or evaluated on a fair value basis, is set out below, together with the same information for all other financial assets:

	SPPI debt securities	Other financial assets	Total
	£000	£000	£000
Fair value at 31 December 2018	38,412	-	38,412
Movement in year	17,105	-	17,105
Fair value at 31 December 2019	**55,517**	-	**55,517**

Fair value hierarchy

Fair value for all assets and liabilities which are either measured or disclosed is determined based on available information and categorised according to a three-level fair value hierarchy as detailed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from data other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

A financial instrument is regarded as quoted in an active market (level 1) if quoted prices for that financial instrument 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.

The Company uses prices received from external providers who calculate these prices from quotes available at the reporting date for the particular investment being valued. For investments that are actively traded the Company determines whether the prices meet the criteria for classification as a level 1 valuation. The price provided is classified as a level 1 valuation when it represents the price at which the investment traded at the reporting date taking into account the frequency and volume of trading of the individual investment together with the spread of prices that are quoted at the reporting date for such trades. Typically investments in frequently traded government debt would meet the criteria for classification in the level 1 category. Where the prices provided do not meet the criteria for classification in the level 1 category, the prices are classified in the level 2 category.

In limited circumstances, the Company does not receive pricing information from an external provider for its financial investments. In such circumstances the Company calculates fair value which may be based on input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgment is required to establish fair values. Valuations that require the significant use of unobservable data are classified as level 3 valuations. In addition, the valuations used for investment properties and for group occupied properties are classified in the level 3 category.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Available for sale financial assets	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total

2019	£000	£000	£000	£000
Financial assets	**2,354**	**53,163**	**-**	**55,517**
Total	**2,354**	**53,163**	**-**	**55,517**

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
2018	£000	£000	£000	£000
Financial assets	9,334	29,078	-	38,412
Total	9,334	29,078	-	38,412

None of the Company's insurance liabilities are measured at fair value. There were no transfers between Level 1 and Level 2 during the year.

There are no financial assets or liabilities measured at fair value using Level 3 fair value measurements.

14.Reinsurers' share of provision for unearned premiums

The following changes have occurred in the reinsurers' share of provision for unearned premiums during the year:

	2019	2018
	£000	£000
Reinsurers' share of provisions for unearned premiums at 1 January	**66,773**	74,807
Premiums ceded to reinsurers	**316,419**	260,432
Reinsurers' share of premiums earned	**(303,213)**	(269,693)
Change in provision for unearned premiums, reinsurers' share	**13,206**	(9,261)
Exchange adjustment	**(2,981)**	1,227
Reinsurers' share of provisions for unearned premiums at 31 December	**76,998**	66,773

As all business is fully reinsured, reinsurers' share of unearned premium is equal but opposite to gross unearned premium and therefore the gross unearned premium reconciliation is consistent with the disclosure above and has not been presented separately.

15.Reinsurers' share of provision for outstanding claims

The following changes have occurred in the reinsurers' share of provision for outstanding claims during the year:

	2019	2018
		*Restated
	£000	£000
Reinsurers' share of provisions for losses and loss adjustment expenses at 1 January	**371,117**	368,950
Reinsurers' share of total claims incurred	**169,954**	178,562
Total reinsurance recoveries received	**(171,448)**	(183,401)
Exchange adjustment	**(13,199)**	7,006
Reinsurers' share of provisions for losses and loss adjustment expenses at 31 December	**356,424**	371,117

*The comparative information is restated on account of correction of errors. See note 19.

As all business is fully reinsured, reinsurer's share of outstanding claims is the same as gross outstanding claims and therefore the gross outstanding claims reconciliation is consistent with the disclosure above and has not been presented separately.

Loss development tables have not been disclosed in the notes to these financial statements, as in the view of the directors the Company substitute's insurance risk for reinsurer credit risk, predominantly through its reinsurance programme into Royal & Sun Alliance Insurance plc.

16.Deferred tax

	2019	2018

	£000	£000
Unrealised investments gains	28	23
Deferred tax asset	**28**	23

	2019	2018
	£000	£000
At 1 January	23	41
Amounts credited/ (charged) to other comprehensive income	5	(18)
Deferred tax asset as at 31 December	**28**	23

At the end of the reporting period, the Company has other deferred tax reliefs of £15,000 (2018: £15,000) for which no deferred tax asset is being recognised due to the unpredictability of future profit streams.

17.Share capital

	2019	2018
	£000	£000
Allotted, issued and fully paid		
70,000,000 Ordinary shares at £1.00 each (2018: 70,000,000 Ordinary shares at £1.00 each)	70,000	70,000
	70,000	70,000

18.Parent companies

The Company's immediate parent company is Royal & Sun Alliance Insurance plc, a company incorporated in England and Wales. Their registered address is St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL.

The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. A copy of that Company's accounts can be obtained by writing to Group Secretarial, RSA Insurance Group plc, 17th Floor, 20 Fenchurch Street, London, EC3M 3AU.

19.Prior year adjustment

During 2019, the Company identified that, in respect of a captive insurance arrangement with other group entities, both the provision for outstanding claims and the reinsurer's share of that provision had been omitted from the financial statements from the date the structure was set up in 2015. The other balances regarding this arrangement, including premiums written, earned premiums and claims paid, as well as the related reinsurer's share, had been included correctly in prior years.

The adjustments have no net impact on reserves or shareholder's funds for the year ended 31 December 2018 or the opening balance as at 1 January 2018

The following table summarises the impact on the Company's financial statements;

Profit and loss account		**Impact of restatement**	
	As previously reported	**Adjustments**	**As restated**
	£000	**£000**	**£000**
Change in the provision for claims			
Gross Amount	14,920	(10,081)	4,839
Reinsurers' share	(14,920)	10,081	(4,839)
Net Claims incurred	-	-	-

Balance Sheet **Impact of restatement**

	As previously reported £000	Adjustments £000	As restated £000
Assets			
Reinsurers share of technical provisions - Claims outstanding	353,215	17,902	371,117
Liabilities			
Technical provisions - Claims outstanding	353,215	17,902	371,117

The prior year adjustment had the following impact on the information presented in note 15.

Reinsurer's share of provision for outstanding claims	Impact of restatement		
	As previously reported £000	Adjustments £000	As restated £000
Reinsurers' share of provisions for losses and loss adjustment expenses at 1 January 2017	361,362	7,588	368,950
Reinsurers' share of total claims incurred	168,481	10,081	178,562
Total reinsurance recoveries received	(183,401)	-	(183,401)
Exchange adjustment	6,773	233	7,006
Reinsurers' share of provisions for losses and loss adjustment expenses at 31 December 2018	353,215	17,902	371,117