Registered Number: 00014809

The Marine Insurance Company Limited

Annual Report and Accounts

For the year ended 31 December 2019

Contents

The Marine Insurance Company Limited

Company Information

Directors

Charlotte Jones

Nathan Williams

Scott Egan

William McDonnell

Secretary

Roysun Limited

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Horsham
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Auditor

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15 Canada Square
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The directors present their annual report on the affairs of The Marine Insurance Company 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 (the 'Group'). The Company is the Group's vehicle for writing specialty insurance business, including marine, transport, construction, engineering and renewable energy and wholesale international property United States surplus lines risks. 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 is the writing of direct marine, transport, renewable energy and wholesale international property insurance business in the United States.

Business review

The results for the Company show a profit on ordinary activities before tax of £3,178,000 (2018: £3,190,000) for the year and gross premiums written of £31,379,000 (2018: £37,004,000). The shareholder's funds of the Company were £54,892,000 as at 31 December 2019 (31 December 2018: £52,447,000).

With effect from 1 January 2012, the Company entered into a 100% quota share agreement with Royal & Sun Alliance Insurance plc under which the insurance risk of the Company's business is transferred to Royal & Sun Alliance Insurance plc. The company receives a reinsurance commission in relation to the quota share agreement which is determined by reference to premium written, net of reinsurance.

On 7 February 2017, the Group announced that contracts had been signed to dispose of legacy insurance liabilities to Enstar Group Limited. The transaction initially took the form of a reinsurance agreement, effective at 31 December 2016. The legal transfer of the business was completed on 1 July 2019.

Key performance indicators ('KPIs')

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

- Balance on technical account for general business; this measure is calculated by aggregating earned premiums less claims incurred less reinsurance commissions and expenses. The balance on the technical account for general business is £1,513,000 (2018: £2,432,000).
- Regulatory solvency; The Solvency II Solvency Capital requirement (SCR) coverage ratio at the end of 2019 is approximately fourteen times (2018: six 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 key performance indicators 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 risks and uncertainties are integrated within and managed together with the 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 40 to 43 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 (BRC) can be found from pages 40 and 68 of the 2019 Annual Report and Accounts of the Group.

Credit Risk

The Company's investment management strategy primarily focuses on debt instruments of high credit quality issuers and seeks to limit the overall credit exposure with respect to any one issuer by ensuring limits have been based upon credit quality. Restrictions are placed on each of the Company's investment managers as to the level of exposure to various rating categories including unrated securities.

The Company is also exposed to credit risk from the use of reinsurance in the event that a reinsurer fails to settle its liability to the Company. The Group Reinsurance Credit Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Company. The Company's investment management strategy primarily focuses on debt instruments of high credit quality issuers and seeks to limit the overall credit exposure with respect to any one issuer by ensuring limits have been based upon credit quality, as at 31 December 2019 all re-insurance counterparties to the Company have a credit rating of A or above.

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 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's 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 on the next page 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 benefit from the 100% quota share agreement with Royal & Sun Alliance Insurance plc under which the insurance risk of the Company's business is transferred to Royal & Sun Alliance Insurance plc. Customers are further protected through the maintenance of the Trust Fund which is monitored regularly	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 Company seeks to comply with all relevant regulation in the United States and has appointed representatives in the United States to ensure compliance. 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

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: £nil). The directors did 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 The Marine Insurance Company Limited

1 Our opinion is unmodified

We have audited the financial statements of The Marine Insurance Company 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 £46.9 million; 2018: Gross £20.3 million)

Recurring risk ◄►

Refer to page 19 (accounting policy) and page 28 (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 and Construction portfolios that can result in larger claims over time and Engineering Liability 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 The Marine Insurance Company 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 £1m (2018: £2:5m), determined with reference to a benchmark of estimated total assets (2018: net assets), of which it represents 0.8% (2017: 4.8%). We believe that total assets is 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 £0.05m (2018: £0.1m), 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 The Marine Insurance Company 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

The Marine Insurance Company Limited

Profit and Loss Account

for the year ended 31 December 2019

Technical account – General business	Notes	2019 £000	2018 £000
Gross premiums written	6	**31,379**	37,004
Outward reinsurance premiums		**(31,379)**	(37,004)
Premiums written, net of reinsurance		**-**	-
Change in the gross provision for unearned premiums		**4,558**	457
Change in provision for unearned premiums, reinsurers' share		**(4,558)**	(457)
Earned premiums, net of reinsurance		**-**	-
Claims paid			
Gross amount		**(13,449)**	(26,248)
Reinsurers' share		**12,135**	25,587
		(1,314)	(661)
Change in the provision for claims			
Gross amount		**(23,993)**	(1,452)
Reinsurers' share		**23,993**	1,452
		-	-
Claims incurred, net of reinsurance		**(1,314)**	(661)
Acquisition costs		**(7,447)**	(7,497)
Administrative expenses		**(2,553)**	(984)
Reinsurance commissions		**12,827**	11,574
Net operating expenses		**2,827**	3,093
Balance on the technical account for general business	6	**1,513**	2,432

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		**1,513**	2,432
Investment income		**984**	1,061
Realised gains/(losses) on investments		**683**	(302)
Investment expenses, charges and interest		**(2)**	(1)
Profit on ordinary activities before tax		**3,178**	3,190
Tax on profit on ordinary activities	12	**(950)**	(396)
Profit for the financial year		**2,228**	2,794

Statement of Comprehensive Income
for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Profit for the financial year		**2,228**	2,794
Items that will be reclassified to profit or loss when specific conditions are met:			
Unrealised gains/(losses) on other financial instruments classified as available for sale net of tax		**217**	(51)
Total other comprehensive income/(expense) for the year		**217**	(51)
Total comprehensive income for the year		**2,445**	2,743

The attached notes on pages 17 to 29 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	**Shareholder's funds £000**
Balance at 1 January 2018	16,312	6,021	(94)	27,465	**49,704**
Profit for the financial year	-	-	-	2,794	**2,794**
Other comprehensive expense	-	-	(51)	-	**(51)**
Total comprehensive (expense)/income for the year	-	-	(51)	2,794	2,743
Balance at 1 January 2019	**16,312**	**6,021**	**(145)**	**30,259**	**52,447**
Profit for the financial year	**-**	**-**	**-**	**2,228**	**2,228**
Other comprehensive income	**-**	**-**	**217**	**-**	**217**
Total comprehensive income for the year	**-**	**-**	**217**	**2,228**	**2,445**
Balance at 31 December 2019	**16,312**	**6,021**	**72**	**32,487**	**54,892**

The attached notes on pages 17 to 29 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2019

Assets	Notes	2019 £000	2018 £000
Other financial investments			
Debt securities and other fixed income securities	13	**5,441**	33,629
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	**18,780**	24,090
Claims outstanding	15	**46,939**	20,320
		65,719	44,410
Debtors			
Debtors arising out of direct insurance operations - intermediaries		**7,968**	12,535
Debtors arising out of reinsurance operations		**-**	428
Amounts owed by group undertakings		**43,743**	15,036
Other debtors (including deferred taxation)	16	**-**	56
		51,711	28,055
Other assets			
Cash at bank and in hand		**1,162**	404
Prepayments and accrued income			
Accrued interest and rent		**41**	250
Deferred acquisition costs		**7,004**	5,971
		7,045	6,221
Assets held for sale and disposal groups	8	**-**	81,836
Total assets		**131,078**	194,555

Balance Sheet (continued)
for the year ended 31 December 2019

Liabilities	Notes	2019 £000	2018 £000
Capital and reserves			
Called up share capital	19	16,312	16,312
Share premium account		6,021	6,021
Revaluation reserve		72	(145)
Profit and loss account		32,487	30,259
Shareholder's funds		54,892	52,447
Technical provisions			
Provision for unearned premiums		18,780	24,090
Claims outstanding		46,939	20,320
		65,719	44,410
Creditors			
Creditors arising out of direct insurance operations		591	574
Creditors arising out of reinsurance operations		1,912	1,707
Amounts owed to group undertakings		-	7,213
Other creditors (including current taxation)	17	960	397
		3,463	9,891
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		7,004	5,971
Liabilities for disposal groups	8	-	81,836
Total liabilities		131,078	194,555

The attached notes on pages 17 to 29 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 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. The Group 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 (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; and
- Disclosures in respect of transactions between two or more wholly owned subsidiaries of the group.

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 transaction. 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. Gross 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) Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if it is considered highly probable that the carrying amount of the assets and directly associated liabilities will be recovered principally through a sale, rather than through continuing operations. This includes the expectation that the sale will be completed within 12 months of the classification date as held for sale, subject to extension in certain circumstances, including where disposals have been committed to subject to regulatory and legal approval.

Assets and liabilities held for sale are each presented as a single line in the balance sheet, at the lower of the carrying amount and fair value less costs to sell.

Where the asset or liability comprises a separate business operation (e.g. a subsidiary), the assets and the directly associated liabilities of the business are considered together as one disposal group. In the period when assets are recognised as held for sale on the balance sheet for the first time, the comparative prior period is not re-presented.

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 writes direct marine, aviation, transport, renewable energy and wholesale international property insurance business in the United States. 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 also to a lesser extent arising from insurance contracts, and includes the following risks:

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

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's credit risk exposure is largely concentrated in its fixed income investment portfolio.

Credit risk is managed at both a Group level and at a local level. Local operations are responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. brokers and policyholders). Local credit committees are responsible for ensuring these exposures are within the risk appetite of the local operations. Exposure monitoring and reporting for fixed income investments and premium receivables is embedded throughout the organisation with aggregate credit positions reported and monitored at Group level.

The Group's credit risk strategy appetite and credit risk policy are developed by its Board Risk Committee (BRC) and are reviewed and approved by the Board on an annual basis. This is done through the setting of Group policies, procedures and limits.

In defining its appetite for credit risk the Group looks at exposures at both an aggregate and business unit level distinguishing between credit risks incurred as a result of offsetting insurance risks or operating in the insurance market (e.g. reinsurance credit risks and risks to receiving premiums due from policyholders and intermediaries) and credit risks incurred for the purposes of generating a return (e.g. invested assets credit risk).

Limits are set at both a portfolio and counterparty level based on likelihood of default, derived from the rating of the counterparty, to ensure that the Group's overall credit profile and specific concentrations are managed and controlled within risk appetite.

The Company's investment management strategy primarily focuses on debt instruments of high credit quality issuers and seeks to limit the overall credit exposure with respect to any one issuer by ensuring limits have been based upon credit quality. Restrictions are placed on each of the Company's investment managers as to the level of exposure to various rating categories including unrated securities.

The Company is also exposed to credit risk from the use of reinsurance in the event that a reinsurer fails to settle its liability to the Company.

The Group Reinsurance Credit Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Company. Group 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 Group's authorised list of approved reinsurers unless the Group's internal review identifies exceptional circumstances in favour of the reinsurer. Collateral is taken, where appropriate, to mitigate exposures to acceptable levels.

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.

As at 31 December 2019	**Credit rating relating to financial assets that are neither past due nor impaired**								
	AAA £000	**AA £000**	**A £000**	**BBB £000**	**<BBB £000**	**Not rated £000**	**Value including held for sale £000**	**Less: Amounts classified as held for sale £000**	**Total financial assets that are neither past due nor impaired £000**
Debt securities	-	5,441	-	-	-	-	5,441	-	5,441
Of which would qualify for SPPI under IFRS[1]	-	5,441	-	-	-	-	5,441	-	5,441
Accrued interest and rent	-	40	-	-	-	-	40	-	40
Reinsurers' share of technical provisions	-	7,289	58,430	-	-	-	65,719	-	65,719
Insurance and reinsurance debtors[2]	-	-	-	-	-	7,630	7,630	-	7,630
Cash at bank and in hand	-	-	1,162	-	-	-	1,162	-	1,162

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 insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers 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.

As at 31 December 2018	Credit rating relating to financial assets that are neither past due nor impaired								
	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Value including held for sale £000	Less: Amounts classified as held for sale £000	Total financial assets that are neither past due nor impaired £000
Debt securities	-	20,713	8,297	4,619	-	-	33,629	-	33,629
Of which would qualify for SPPI under IFRS[1]	-	20,713	8,297	4,619	-	-	33,629	-	33,629
Accrued interest and rent	-	128	67	55	-	-	250	-	250
Reinsurers' share of technical provisions	-	5,256	105,174	6,377	6,502	1	123,310	(78,900)	44,410
Insurance and reinsurance debtors[2]	-	943	709	61	47	12,535	14,295	(1,332)	12,963
Cash at bank and in hand	525	4	3,566	510	-	-	4,605	(4,201)	404

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 insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers 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.

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.

As at 31 December 2019		**Financial assets that are past due but not impaired**						
	Neither past due nor impaired £000	**Up to three months £000**	**Three to six months £000**	**Six months to one year £000**	**Greater than one year £000**	**Financial assets that have been impaired £000**	**Carrying value in the balance sheet £000**	**Impairment losses charged to income statement £000**
Debt securities	5,441	-	-	-	-	-	5,441	-
Accrued interest and rent	40	-	-	-	-	-	40	-
Reinsurers' share of technical provisions	65,719	-	-	-	-	-	65,719	-
Insurance and reinsurance debtors	7,630	162	92	37	47	-	7,968	-
Cash at bank and in hand	1,162	-	-	-	-	-	1,162	-

As at 31 December 2018	Neither past due nor impaired £000	Financial assets that are past due but not impaired: Up to three months £000	Three to six months £000	Six months to one year £000	Greater than one year £000	Financial assets that have been impaired £000	Carrying value in the balance sheet £000	Impairment losses charged to income statement £000
Debt securities	33,629	-	-	-	-	-	33,629	-
Accrued interest and rent	250	-	-	-	-	-	250	-
Reinsurers' share of technical provisions	44,410	-	-	-	-	-	44,410	-
Insurance and reinsurance debtors	12,174	512	105	119	53	-	12,963	-
Cash at bank and in hand	404	-	-	-	-	-	404	-

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	-	-	**0.1**	0.1

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 Company incurs exposure to foreign currency exchange risk in the following way:

- Operational currency risk – by holding investments and other assets and by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate, the Company is exposed to fluctuations in foreign exchange rates that can impact both its profitability and the reported value of such assets and liabilities;

Operational currency risk is principally managed within the Company's individual operations by broadly matching assets and liabilities by currency and liquidity. Operational currency risk is not significant.

Sensitivity analysis

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 and US Dollar on shareholder's funds as at 31 December:

	strengthening against Euro £000	weakening in against Euro £000	strengthening against United States Dollar £000	weakening against United States Dollar £000
2019	**(98)**	**108**	**(1,277)**	**1,405**
2018	(10)	12	1,061	(1,167)

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.

As at 2019	**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	-	-	-	-	-	-	-	-
Creditors arising out of direct insurance operations	**591**	-	-	-	-	-	**591**	**591**
Creditors arising out of reinsurance operations	**1,912**	-	-	-	-	-	**1,912**	**1,912**
Total	**2,503**	-	-	-	-	-	**2,503**	**2,503**

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	7,213	-	-	-	-	-	7,213	7,213
Creditors arising out of direct insurance operations	574	-	-	-	-	-	574	574
Creditors arising out of reinsurance operations	1,707	-	-	-	-	-	1,707	1,707
Total	9,494	-	-	-	-	-	9,494	9,494

Capital management

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.

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 program 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	**54**	51
SCR	**4**	9
Coverage (unrounded)	**1,356%**	564%

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 £54,892,000 as at 31 December 2019 (2018: £52,447,000).

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

2019	**Marine, Aviation and Transport £000**	**Fire and other damage to property £000**	**Total £000**
Gross premiums written	**17,952**	**13,427**	**31,379**
Gross earned premiums	**18,296**	**17,641**	**35,937**
Gross claims incurred	**(2,430)**	**(30,412)**	**(32,842)**
Operating expenses[1]	**3,082**	**(255)**	**2,827**
Gross technical result	**18,948**	**(13,026)**	**5,922**
Reinsurance balance	**(17,001)**	**(12,588)**	**(4,413)**
Net technical result	**1,951**	**(438)**	**1,513**

2018	Marine, Aviation and Transport £000	Fire and other damage to property £000	Total £000
Gross premiums written	14,006	22,998	37,004
Gross earned premiums	18,548	18,913	37,461
Gross claims incurred	(18,951)	(8,749)	(27,700)
Operating expenses[1]	2,249	844	3,093
Gross technical result	1,846	11,008	12,854
Reinsurance balance	108	(10,530)	(10,422)
Net technical result	1,954	478	2,432

[1]For the purpose of the segmental information disclosed in this note, operating expenses is shown net of other operating income.

b) By geographical segment

	2019	2018
Gross premiums written	**£000**	£000
United States	**31,379**	37,004
	31,379	37,004

Total commissions for direct insurance business accounted for by the Company during the year, amounted to £4,582,000 (2018: £5,944,000).

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
United States Dollar	**1.28**	**1.32**	1.33	1.27
Euro	**1.14**	**1.18**	1.13	1.11

Other comprehensive income contains net gains of £nil (2018: £nil) on the retranslation of foreign currency items, into the functional currency of the Company.

8. Held for sale disposal group

On 7 February 2017 the Group announced that contracts had been signed to dispose of UK legacy insurance liabilities to Enstar Group Limited, the majority of which are held in the Company. The transaction initially took the form of a reinsurance agreement, effective at 31 December 2016, which substantially effected economic transfer. The legal transfer of the business was completed on 1 July 2019.

	2019	2018
	£000	£000
Assets classified as held for sale		
Cash	-	4,201
Amounts owed to group undertakings	-	(2,922)
Reinsurers' share of claims outstanding	-	78,900
Other debtors and other assets	-	1,657
Total assets of disposal group	-	81,836
Liabilities directly associated with assets classified as held for sale		
Claims outstanding	-	78,900
Other creditors and liabilities	-	2,936
Liabilities of disposal groups	-	81,836
Total net assets of disposal groups	-	-

9. 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. Fees payable to KPMG LLP for the provision of non-audit services in relation to NAIC regulatory submission for the year ended 31 December 2019 were £nil (31 December 2018: £60,000).

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 The Marine Insurance Company 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 director 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 a cost to the Company of £2,647,000 (2018: £1,328,000).

12. Taxation

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

	2019 £000	2018 £000
Current tax		
UK corporation tax	**814**	585
Adjustments in respect of prior periods	**136**	(190)
Total current tax	**950**	395
Deferred tax		
Temporary differences – origin and reversal	**-**	1
Total deferred tax	**-**	1
Total tax charge	**950**	396

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 £000	2018 £000
Profit on ordinary activities before tax	**3,178**	3,190
Tax at the UK rate of 19.0% (2018: 19.0%)	**603**	606
Factors affecting charge:		
Fiscal adjustments	**98**	117
Adjustments to tax charge in respect of previous periods	**136**	(190)
Group relief rate variance	**113**	(137)
Total tax charge	**950**	396

The current tax credited to the other comprehensive income during the year is £2,000 (2018: £4,000). The deferred tax charge is recognised in other comprehensive income is £46,000 (2018: tax credit £8,000).

13. Financial assets

The following table analyses the Company's financial assets by classification:

	2019 £000	2018 £000
Government securities	**5,441**	18,305
Corporate bonds	**-**	15,324
Available for sale financial assets	**5,441**	33,629
Total assets measured at fair value	**5,441**	33,629

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 based 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:

	Fair value hierarchy			
As at 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale financial assets:	**£000**	**£000**	**£000**	**£000**
Debt securities	**5,441**	**-**	**-**	**5,441**
Total assets measured at fair value	**5,441**	**-**	**-**	**5,441**

	Fair value hierarchy			
As at 31 December 2018	Level 1	Level 2	Level 3	Total
Available for sale financial assets:	£000	£000	£000	£000
Debt securities	18,305	15,324	-	33,629
Total assets measured at fair value	18,305	15,324	-	33,629

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.

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 carrying value of its liabilities within the scope of IFRS 4 and debt instruments included within the regulatory capital being greater than 90 per cent of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

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:

As at 31 December 2019	**SPPI debt securities**	**Total**
	£000	**£000**
Debt securities	**5,441**	**5,441**
Fair value at 31 December 2019	**5,441**	**5,441**

As at 31 December 2018	**SPPI debt securities**	**Total**
	£000	**£000**
Debt securities	33,629	33,629
Fair value at 31 December 2018	33,629	33,629

The fair value gains of SPPI financial assets during the year are £683,000.

Information on credit ratings relating to SPPI debt securities can be found in note 5.

14. Reinsurers' share of provision for unearned premiums

	2019	2018
	£000	£000
Reinsurers' share of provisions for unearned premiums at 1 January	**24,090**	23,153
Premiums ceded to reinsurers	**31,379**	37,004
Reinsurers' share of premiums earned	**(35,937)**	(37,461)
Changes in reinsurance asset	**(4,558)**	(457)
Exchange adjustment	**(752)**	1,394
Total reinsurers' share of provisions for unearned premiums at 31 December	**18,780**	24,090

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

	2019 £000	2018 £000
Reinsurers' share of provisions for losses and loss adjustment expenses at 1 January	99,220	89,234
Reinsurers' share of total claims incurred	36,128	27,039
Disposal of Legacy	(76,315)	-
Total reinsurance recoveries received	(12,135)	(25,587)
Unwind of discount	997	1,913
Exchange adjustment	(956)	6,621
Reinsurers' share of provisions for losses and loss adjustment expenses at 31 December	46,939	99,220
Less: Assets classified as held for sale	-	(78,900)
Total reinsurers' share of provisions for losses and loss adjustment expenses at 31 December	46,939	20,320

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. Other debtors

	2019 £000	2018 £000
Deferred tax (see note 18)	-	34
Other Debtors	-	22
	-	56

17. Other creditors

	2019 £000	2018 £000
Corporation tax	948	397
Deferred tax (see note 18)	12	-
	960	397

18. Deferred tax

Deferred tax for the current year is based on a rate of 17% (2018: 17%)

The following are the major deferred tax (liabilities)/assets recognised by the Company and their movements during the year:

	2019 £000	2018 £000
Net unrealised (losses)/gains on investments	(14)	30
Tax losses and unused tax credits	2	4
Deferred tax (liability)/asset as at 31 December	(12)	34

The movement in the net deferred tax assets recognised by the Company is as follows:	2019 £000	2018 £000
Net deferred tax position at 1 January	34	27
Amounts (charged) to the profit and loss account	-	(1)
Amounts (charged)/credited to other comprehensive income	(46)	8
Deferred tax (liability)/asset as at 31 December	(12)	34

19. Share capital

	2019 £000	2018 £000
Allotted, issued and fully paid		
1,304,945 Ordinary shares at £12.50 each (2018: 1,304,945 Ordinary shares at £12.50 each)	16,312	16,312
	16,312	16,312

20. Parent companies

The Company's immediate parent company is Royal & Sun Alliance Insurance plc, a company incorporated in England and Wales. Royal & Sun Alliance Insurance plc's 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 Secretariat, RSA Insurance Group plc, 17th Floor, 20 Fenchurch Street, London EC3M 3AU.

21. Other commitments

In order to write United States surplus lines business, the Company is required to hold a United States Trust Fund to meet National Association of Insurance Commissioners (NAIC) reporting requirements. Following losses incurred on surplus lines business in 2019 the Company will be required to increase the Trust Fund by no more than £9,000,000 by 31 July 2020.

No. 2339826

PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

- of -

RSA INSURANCE GROUP PLC