



RSA Insurance Group plc

Solvency and Financial
Condition Report

(SFCR)

2018

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Appendix 1. Group Branches

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Introduction

RSA Insurance Group plc (“the Company”) is a public limited company incorporated in England and Wales. The Company, through its subsidiaries (together referred to in this report as “the Group” or “RSA”), provides personal and commercial insurance products to its global customer base, principally in the UK & International (including UK, Ireland, Middle East and European branches), Scandinavia and Canada.

The Solvency II regulatory framework (“SII”), which governs industry regulation and prudential capital requirements within the European Union, became effective from 1 January 2016. The purpose of the Solvency and Financial Condition Report (“SFCR”) is to provide information required by the SII regulatory framework for RSA Group Insurance plc.

RSA Insurance Group plc

This report sets out aspects of the Group’s business performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices, as prescribed by the regulatory framework. Where information that is required to be reported by SII is not applicable to the Group, the report contains the heading for completeness, with an appropriate note.

Figures for the Group represent the consolidated position of the Group’s ultimate parent company, RSA Insurance Group plc, and all worldwide subsidiaries.

For further details of abbreviations and terms used in this report, see Appendix 7.

Subsidiaries

This Group SFCR also covers information on the solvency and financial condition of three of the Group’s UK regulated insurance and reinsurance subsidiaries that are themselves subject to SII. This information is set out in Appendices 2, 3 and 4 to this report.

The three UK subsidiaries are:

- Royal & Sun Alliance Insurance plc (RSAI)
- Royal & Sun Alliance Reinsurance Limited (RSA Re)
- The Marine Insurance Company Limited (MIC)

RSAl, RSA Re and MIC are legal entities meeting all relevant regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the RSA Group as a whole.

The Group’s other UK regulated insurance subsidiary, British Aviation Insurance Company Limited, is managed separately and is responsible for preparing and submitting its own SFCR.

As at 31 December 2018 the Group has five non-UK insurance subsidiaries that are subject to SII and these companies publish their own SFCRs:

- Codan Forsikring A/S
- Forsikringselskabet Privatsikring A/S
- Holmia Livförsäkring AB
- RSA Insurance Ireland DAC
- RSA Luxembourg SA

RSA Luxembourg SA is exempt from the requirement to produce or publish a SFCR for the year ended 31 December 2018.

Annual Report and Accounts

This document makes reference to the Group's 2018 Annual Report and Accounts which can be accessed from the Group's website at <https://www.rsagroup.com/investors/reports/annual-report-2018/>. Information in the Annual Report and Accounts is prepared according to statutory accounting rules and the management accounting practices of the Group, whereas information in this Group SFCR is governed by SII rules. Important differences include valuation methodologies for assets, technical provisions and other liabilities, definitions of asset and liability categories, definitions of underwriting lines of business and the presentation of certain information by geographic region versus legal entity. Therefore the figures, including financial, in this Group SFCR will not always correspond to the numbers in the Annual Report and Accounts.

Transitional measures

As a primarily general insurance business, the Group does not place any reliance on transitional measures for technical provisions as referred to in Articles 308c and 308d of Directive 2009/138/EC (the Solvency II Directive), or on measures such as the matching adjustment and the volatility adjustment as referred to in Articles 77b and 77d respectively of Directive 2009/138/EC. Consequently there will be no information regarding these measures in this report. The only SII transitional measure that is applied is with respect to the Group's debt arrangements as referred to in Article 308b(9) of Directive 2009/138/EC. Further information relating to this transitional measure is shown in section E.1.6 of this report.

Summary

The Group is a focused international insurer with complementary leadership positions in the major general insurance markets of the UK, Scandinavia and Canada, together with supporting 'London market' and international business. The Group is well balanced between personal and business customers, across its geographies, product lines and distribution channels.

The Group's business strategy is to sustain a disciplined focus on RSA's existing areas of market leadership, whilst driving intense operating improvement in pursuit of best-in-class performance levels.

In 2018, the Group delivered growth in profits and earnings per share, further dividend growth and attractive underlying return on tangible equity.

However in 2018, the Group posted the first decline in underwriting profits since 2013, driven primarily by higher weather costs and large loss challenges in the Commercial Lines businesses, most notably through the London Market results.

Business and performance

Underwriting result

Underwriting profit of £250m (2017: £394m) was down 33% at constant FX. The combined ratio was 96.2% (2017: 94.0%).

Investment result

The investment result was £275m (2017: £284m) with investment income of £322m (2017: £331m), investment expenses of £14m (2017: £13m) and the liability discount unwind of £33m (2017: £34m).

Investment income was down 3% on prior year, primarily reflecting the impact of reinvestment at lower yields which was partially offset by increased income from actions taken on the portfolios to increase exposure to less liquid credit investments. The average book yield across the Group's major bond portfolios was 2.5% (2017: 2.5%).

Regional overview

Our Scandinavian business continues to be the most important profit contributor. A combined ratio of 86.8% was behind the 2017 record, held back by Commercial Lines large losses, but strong nevertheless.

Canada fell back due to adverse weather costs and poor Commercial Lines results. A significant recovery is targeted for 2019.

As in 2017, the UK & International business recorded poor results – a combined ratio of 101.4%. The UK reported a combined ratio of 104.0%, Ireland's performance improved strongly in 2018 with a combined ratio of 90.2% and Middle East delivered a record combined ratio of 83.4%.

Operating Profit

The Group operating profit was £517m, down 19% at constant FX (2017: £663m): Scandinavia £306m; Canada £84m; UK & International £105m.

For further details of the Group's business and performance, see Section A.

System of governance

The Group maintains a robust system of governance and has not experienced any material changes in how the business has been operated over the course of 2018. More detail is provided in Section B.

Risk profile

As a multi-line, multi-channel, global general insurance business RSA maintains a stable, well diversified risk profile. The Group's risk management and controls frameworks have been created to ensure that risks are identified, measured and managed in all parts of the Group before they adversely impact the business. See Section B.3.1 for further details of the Group's risk management system.

During 2018 there were no material changes to the Group's risk profile as a result of external events or business changes.

The Group is exposed to the following main categories of risk:

- Insurance risk, including underwriting, claims and reserving risks
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Pension risk

The Group quantifies its exposure to different types of risk as part of its Solvency Capital Requirement (SCR) calculation, details of which can be seen in QRT S.25.03 in Appendix 8.

See Section C for further details regarding the Group's risk profile.

Valuation for solvency purposes

Section D sets out details regarding the basis of preparation and assumptions used in the valuation of assets, technical provisions and other liabilities for SII, as well as a description of the differences between these and IFRS.

At 31 December 2018, the Group's excess of assets of liabilities on an SII basis was £3,033m, and on an IFRS basis this was £4,251m. The most significant movements between SII and IFRS valuations were due to differences in the valuation of technical provisions, goodwill, and intangible assets.

There have been no material changes to the valuation methods used by the Group for SII during the year.

Capital management

Capital Position

Solvency II position	Requirement (SCR) (unaudited) £m	Eligible Own Funds £m	Surplus £m	Coverage %
31 December 2018	1,743	2,956	1,213	170%
31 December 2017	1,804	2,932	1,128	163%

The SII coverage ratio increased to 170% during 2018 (31 December 2017: 163%).

	%
At 1 January 2018	163
Underlying capital generation	22
Net capital investment after amortisation	(3)
Pull-to-par on unrealised bond gains	(5)
2018 dividends	(12)
Market movements including IAS 19 and other	5
At 31 December 2018	170

Capital activity

Brexit continues to generate uncertainty, with potential for economic shocks, capital impacts, claims inflation and supply chain disruption. The Group have planned for a range of potential impacts on customers, compliance, strategy and structure, including those associated with a no-deal Brexit. The Group are confident in our preparations and continue to monitor developments to refine our plans, although some impacts cannot be meaningfully anticipated and mitigated at this stage.

A model application been submitted in respect of our Scandinavian entities to mitigate the risk of moving to Standard Formula in the event of a hard Brexit. This has no impact on the modelled Group SCR.

Sensitivities to potential macroeconomic shocks are considered in the Risk and Capital Section of the Annual Report and Accounts (pages 118 to 126).

A final proposed dividend of 13.7p per ordinary share (£141m) is included within the year end Group capital positions and will bring the total dividend for 2018 to 21.0p (up 7% on 2017).

See Section E for further details regarding the Group's capital position, capital requirements and own funds items.

A. Business and Performance

This section of the report provides information about the business and performance of the Group covering in particular the performance from underwriting and investment activities.

Performance figures in Section A have been prepared in accordance with the same accounting standards used for the Group's Annual Report and Accounts. These are International Financial Reporting Standards (IFRS) as endorsed by the EU.

A.1 Business

A.1.1 Company name & legal form

RSA Insurance Group plc is a public limited company incorporated in England and Wales. It is the ultimate parent company of the Group.

A.1.2 Supervisory authority

The Prudential Regulation Authority (PRA) is the authority responsible for prudential supervision of the Group. The contact details of the PRA are as follows:

20 Moorgate
London
EC2R 6DA

Telephone: +44 (0)20 3461 4444

Website: <http://www.bankofengland.co.uk/pr/Pages/default.aspx>

A.1.3 External auditor

The external auditor of RSA Insurance Group plc is:

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Telephone: 020 7311 1000

A.1.4 Holders of qualifying holdings

The following information shows the qualifying holdings (10% or above) as disclosed to RSA Insurance Group plc in accordance with the Disclosure and Transparency Rules as at 31 December 2018. There are no shareholder agreements in place with RSA Insurance Group plc that may restrict the transfer of securities or voting rights.

	Number of ordinary shares	% Total voting rights	Nature of Holding
Cevian Capital II G.P. Limited	137,645,130	13.40%	ordinary shares, indirect and contracts for difference

A.1.5 Position within the Group Legal Structure

RSA Insurance Group plc is the ultimate parent company of the Group and is listed on the London Stock Exchange.

A.1.5.1 Group structure

Please see the following sections of this report:

- Section A.1.7 for the simplified Group Structure
- Appendix 1 for a list of all branches
- Appendix 8, QRT S.32.01.22 (Undertakings in the scope of the group) for further details of each subsidiary and associate

Please refer to Appendix B of the Group's 2018 Annual Report and Accounts for a list of all subsidiaries and associates.

See Section B.1 for details of the Group's governance structure.

Organisational structure

The Group has operating segments in the established mature markets of Scandinavia, Canada, and UK & International (the latter comprising the UK, Ireland, the Middle East and European branches), with each operating segment managed by a member of the Group Executive Committee who is directly accountable to the Group Chief Executive Officer and the Board (who are combined to be the chief operating decision maker).

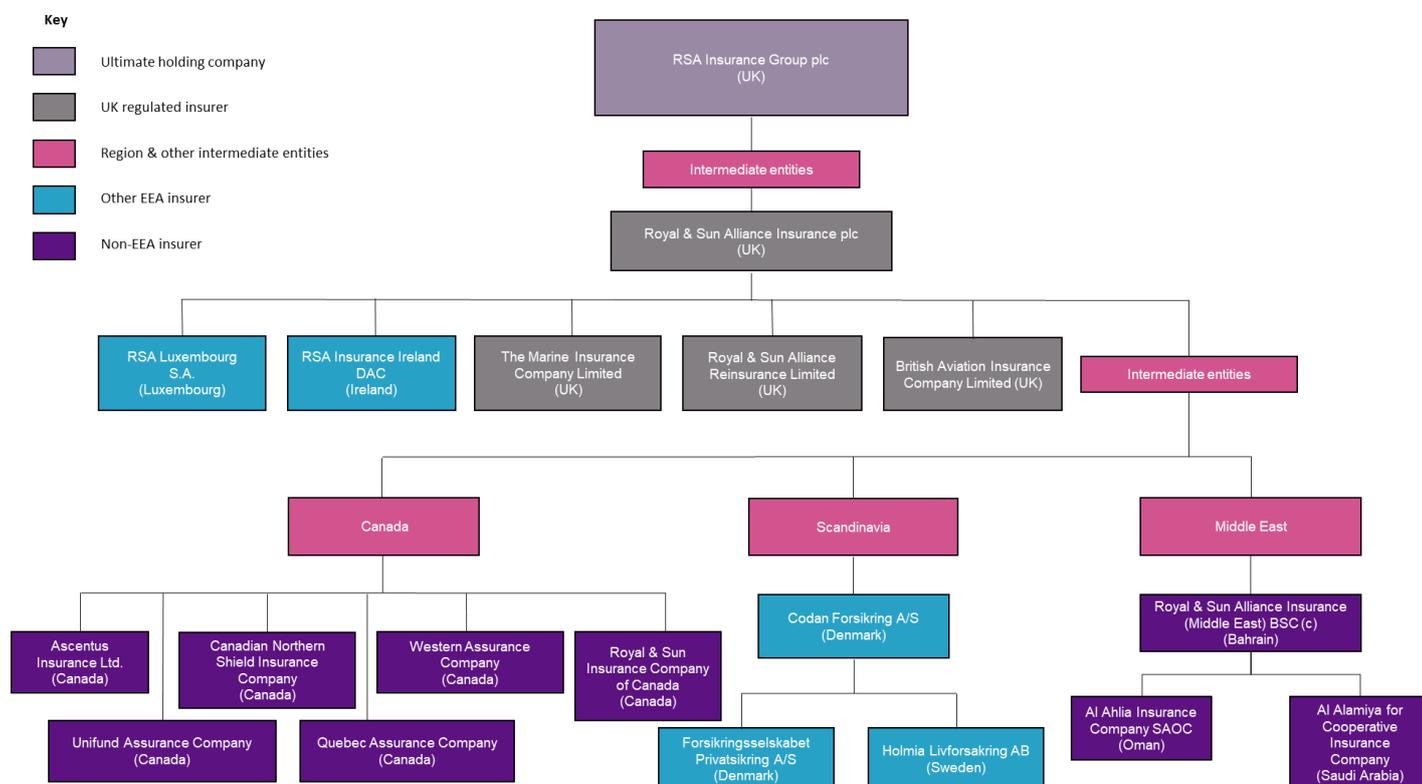
The UK is the Group's country of domicile and one of its principal markets.

A.1.6 Material related undertakings

See Appendix B of the Group's 2018 Annual Report and Accounts for a list of all subsidiaries and associates of the Group. Material related undertakings of the Group are listed below (no branches are material) – all are companies limited by shares:

Country	Name
Bahrain	Royal & Sun Alliance Insurance (Middle East) BSC (c)
Canada	Ascentus Insurance Ltd.
Canada	Canadian Northern Shield Insurance Company
Canada	Quebec Assurance Company
Canada	Roins Financial Services Limited
Canada	Roins Holding Limited
Canada	Royal & Sun Alliance Insurance Company of Canada
Canada	The Johnson Corporation
Canada	Unifund Assurance Company
Canada	Western Assurance Company
Denmark	Codan A/S
Denmark	Codan Forsikring A/S
Denmark	Forsikringselskabet Privatsikring A/S
Guernsey	Insurance Corporation of the Channel Islands Limited
Ireland	RSA Insurance Ireland DAC
Isle of Man	Tower Insurance Company Limited
Luxembourg	RSA Luxembourg S.A.
Oman	Al Ahlia Insurance Company SAOG
Saudi Arabia	Al Alamiya for Cooperative Insurance Company
Sweden	Holmia Livförsäkring AB
United Kingdom	British Aviation Insurance Company Limited
United Kingdom	Royal & Sun Alliance Insurance plc
United Kingdom	Royal & Sun Alliance Reinsurance Limited
United Kingdom	Royal Insurance Holdings Limited
United Kingdom	Royal International Insurance Holdings Limited
United Kingdom	RSA Accident Repairs Limited
United Kingdom	RSA Finance
United Kingdom	RSA Overseas (Netherlands) B.V.
United Kingdom	RSA Overseas Holdings B.V.
United Kingdom	Sun Alliance and London Insurance Limited
United Kingdom	Sun Alliance Insurance Overseas Limited
United Kingdom	The Globe Insurance Company Limited
United Kingdom	The Marine Insurance Company Limited

A.1.7 Simplified Group structure



The Group is organised into regional operating segments with businesses in Scandinavia, Canada and UK & International (comprising UK, Ireland, the Middle East and European branches).

A.1.8 Business lines and geographical areas

The Group's material lines of business and material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
Scandinavia
Canada
UK & International
Line of businesses – non-life
Fire and other damage to property
Motor vehicle liability
Other Motor
Marine, aviation and transport
Income protection
General liability
Medical expense

A.1.9 Significant events

In response to a challenging year in 2018, RSA announced significant portfolio exits and initiated major pricing and re-underwriting programmes. The Group has also made management changes and increased reinsurance coverage for 2019.

Underwriting actions: substantial actions were taken in 2018 and are continuing to address areas of underperformance in underwriting:

- In Personal Lines, the primary challenge was weather volatility which is hard to specifically manage. Canada was the worst affected territory. Auto lines claims inflation also remains a market challenge. Extensive rate increases are going through in affected portfolios, together with selected broker cancellation where rate alone is unlikely to have the required result
- In Commercial Lines more extensive action is needed. We announced portfolio exits for c.45% of the Group's London Market business and the two remaining UK generalist MGAs. Across all our remaining Commercial Lines businesses, underwriting action and rate increases are being deployed against underperforming areas. For 2019 the Group has added new reinsurance aggregate covers aiming to reduce large loss volatility in each of our regional businesses

A.1.10 Group operations & transactions within the Group

See Section D.5.1 for information on the scope and method of group consolidation.

Significant intra-group transactions include:

Dividends

Dividends are paid by various Group companies to their respective parents as part of normal Group treasury management. Dividends totalling £262m were received by Royal & Sun Alliance Insurance plc (a UK subsidiary) during the 2018 financial year.

Intercompany loans

A number of statutory entities within the Group have entered into intercompany loan agreements as part of the Group's cash management strategy or for other general corporate purposes.

Derivatives

Royal & Sun Alliance Insurance plc entered into significant derivative transactions with Royal International Insurance Holdings Limited, RSA Overseas Holdings B.V. and Codan Forsikring A/S during the 2018 financial year. Derivatives entered into are for the purpose of reducing foreign exchange risk in net investments in certain overseas subsidiaries.

Reinsurance excess of loss and quota share treaties

Royal & Sun Alliance Reinsurance Limited provides a reinsurance function for the international insurance activities of the Group offices.

Royal & Sun Alliance Insurance plc has provided capital support to RSA Insurance Ireland DAC via an Adverse Development Cover for reserves existing up to end-2014 and a Quota Share for 2015 business onwards. The Adverse Development Cover has an attachment point of €400m and a limit of €325m for a premium of €250m.

Royal & Sun Alliance Insurance plc entered into a 40% quota share agreement with Unifund Assurance Company for reserves existing up to end-2016 and for 2017 business onwards. This agreement covers all classes of business.

Expense reimbursement

Royal & Sun Alliance Insurance plc reimbursed RSA Accident Repairs Limited £212m for motor claim expenses incurred during the period.

A.2 Underwriting performance

Details of the management result on a Regional level and by analyst class of business, which is how the Group is managed, can be found in the preliminary results press release on the Group's website at <https://www.rsagroup.com/news/press-releases/2019/rsa-2018-preliminary-results>.

Although there is no direct mapping between analyst class and SII lines of business, at a high level these classes can be aligned to SII lines of business to discuss material items in the result.

The financial year management result by material SII lines of business is shown below:

	Net Written Premium		Underwriting Result	
	2018	2017	2018	2017
	£m	£m	£m	£m
Non-life				
Fire and other damage to property	2,494	2,626	(101)	121
Motor vehicle liability	1,209	1,211	68	9
Other Motor	865	867	74	142
Marine, aviation and transport	372	422	(56)	(11)
Income protection	356	342	103	103
General liability	557	559	133	9
Medical expense	367	419	12	4
Total material lines of business	6,220	6,446	233	377
Non-material	250	232	17	17
Total	6,470	6,678	250	394

The segmentation of the underwriting result, as shown above, is a Group level reflection of the products RSA sells and the way it runs the business.

The SII line of business view takes the same result but splits it along regulatory risk lines.

Consequently, the Commercial and Personal distinction is lost as these channels are combined, whilst some other lines are disaggregated further as different types of risk may be included within one product.

Household and Commercial Property are combined to form Fire and Other Damage to Property. Performance, therefore broadly mirrors that of those books in each region, reflecting deteriorated performance in UK, Scandinavia and Canada which have been adversely impacted by significant large losses which are elevated versus the five year average. Further severe weather in Canada (the fourth-highest weather loss year on record) and winter storms in the UK & Ireland also contributed.

Personal and Commercial Motor in all regions are combined and then split into Motor Vehicle Liability and Other Motor (Property damage). The results mirror the market conditions for these channels in each of the Group's core markets, with Scandinavian Personal being the main driver of the strong results, whilst UK and Canada performance reflects more challenging market conditions.

UK Marine is the key contributor of the Marine, Aviation and Transport line, which was adversely impacted by elevated large losses, whereas Scandinavian Personal Accident drives the Income Protection result.

General liability is largely from the Group's Commercial Liability portfolio and some elements of Commercial Property. The strong result reflects improved performance in Risk Managed, MGA and Regions Liability portfolios in the UK, supported by favorable PYD and improved attritional losses in Canada, Scandinavia and Ireland.

Medical expense is largely the UK Pet book.

A.3 Investment performance

The information in this section of the report is taken from the Group Annual Report and Accounts. For further information on the Group's investments and investment performance, see the Group Annual Report and Accounts, page 24 (Chief Financial Officer's Review – Investment result) and page 61 (Group Investment Committee Report).

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in the Group's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes).

A summary of the gross investment income, net realised and net unrealised gains/(losses) included in the income statement is given below:

	Investment income		Net realised gains/(losses)		Net unrealised gains/(losses)		Impairments		Total investment return	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Investment property	19	21	8	-	8	1	-	-	35	22
Equity securities										
Available for sale	35	32	10	5	-	-	(10)	-	35	37
At fair value through the P&L account	-	-	-	-	-	-	-	-	-	-
Debt securities										
Available for sale	242	262	2	19	-	-	-	-	244	281
At fair value through the P&L account	-	-	-	-	(1)	(1)	-	-	(1)	(1)
Other loans and receivables:										
Loans secured by mortgages	2	2	-	-	-	-	-	-	2	2
Other loans	7	3	2	(1)	-	-	-	4	9	6
Deposits, cash and cash equivalents	10	5	-	-	-	-	-	-	10	5
Derivatives	4	5	-	(4)	2	(4)	-	-	6	(3)
Other	3	1	-	-	-	-	-	-	3	1
Total net investment return	322	331	22	19	9	(4)	(10)	4	343	350

A summary of the investment management expenses by asset class is given below:

	2018 £m	2017 £m
Investment property	(1)	(1)
Equity securities	(1)	(1)
Debt securities	(11)	(10)
Loans and receivables	(1)	(1)
Total investment management expenses	(14)	(13)

A.3.2 Gains and losses recognised in equity

Unrealised gains and losses recognised in other comprehensive income for available for sale assets are as follows:

	Net unrealised gains / (losses)		Net realised (gains) / losses transferred to income statement ¹		Impairments transferred to income statement		Net movement recognised in other comprehensive income	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Equity securities	(51)	25	(10)	(6)	10	-	(51)	19
Debt securities	(121)	(126)	(2)	(101)	-	-	(123)	(227)
Other	2	4	(2)	2	-	(4)	-	2
Total	(170)	(97)	(14)	(105)	10	(4)	(174)	(206)

¹ Net realised gains transferred to the income statement in 2017 of £105m includes £81m gains on disposal of the UK Legacy business.

A.3.3 Investments in securitisation

The Group invests in securitised investments, whereby the credit risk associated with an exposure, or pool of exposures, is tranching and the payments associated with this investment are dependent on the performance of the exposure, or pool of exposures, and the subordination of tranches determines the distribution of losses during the ongoing life of the investment. These investments are created by and managed by external specialist investment managers. The use of these products allows the Group to broaden the diversification of its investment portfolio in a cost-efficient manner.

The Group's exposure to structured entities at 31 December 2018 is summarised in the table below:

Class of investments	Nature of the underlying investments of the vehicle	Exposure	
		2018 £m	2017 £m
Collateralised debt obligations	Structured debt security backed by bonds	223	260

A.4 Performance of other activities

A.4.1 Other material income & expenses

An analysis of the Group's other material income and expenses for the year ended 31 December 2018 is detailed below:

Other operating income

	2018 £m	2017 £m
Administration fees income	27	29
Instalment policy fee income	44	50
Introductory commissions	13	12
Service income	10	11
Other fees	44	48
Total other operating income	138	150

Other operating expenses

	2018 £m	2017 £m
Administration and other expenses	9	20
Investment expenses and charges	14	13
Amortisation of intangible assets	13	15
Pension administration expenses	6	7
Regulatory costs	4	-
Reorganisation costs	-	155
Impairment of intangible assets and similar charges ¹	-	23
Impairment of goodwill	7	-
Foreign exchange loss	1	1
Total other operating expenses	54	234

¹ Impairment of intangible assets and similar charges in 2017 includes a £20m impairment charge on internally generated software and a £3m charge for related deferred acquisition costs.

Finance costs

	2018 £m	2017 £m
Interest expense on loan capital	25	42
Premium on debt buy back ¹	-	59
Other loan interest	-	1
Total finance costs	25	102

¹ In 2017 the Group bought back loan capital of £608m on which total premiums of £59m were paid for early redemption.

Employee expenses

Staff costs for all employees comprise:

	2018 £m	2017 £m
Wages and salaries	566	595
Social security costs	86	89
Pension costs	83	82
Share based payments to directors and employees	12	16
Total staff costs	747	782

A.4.2 Operating and finance leasing arrangements

The Group leases various outlets and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Payments made under operating leases are charged on a straight-line basis over the term of the lease.

The operating lease payments recognised as an expense during the year are £48m. The Group has no significant lease agreements that include contingent rent.

Operating lease commitments where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2018 £m	2017 £m	2018 £m	2017 £m
One year or less	43	50	10	1
Between one and five years	127	146	11	2
After five years	120	145	-	-
	290	341	21	3
Recoveries under sub tenancies	(13)	(17)	-	-
Total	277	324	21	3

Operating lease commitments where the Group is the lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	Land and buildings	
	2018 £m	2017 £m
One year or less	16	19
Between one and five years	57	69
After five years	42	52
Total	115	140

Finance leases

The Group has no material finance leases.

A.5 Any other information

Nothing to report.

B. System of Governance

This section of the report describes the Group's governance, including details of its board structure and its risk management and internal control systems. It also provides information on the role of the internal audit and actuarial functions.

B.1 General information on the system of governance

B.1.1 Board structure

The Group's business is overseen by a single Board of Directors ("the Group Board"). A minimum of fifty percent of the Group Board, excluding the Chairman, are Non-Executive Directors. All Non-Executive Directors have been determined by the Group Board to be independent. The Chairman meets regularly with the Non-Executive Directors both individually and collectively without the Executive Directors being present.

The Board of Directors may exercise all the powers of the Group holding company subject to the Articles of Association, relevant laws, and any directions as may be given by shareholder resolution at a general meeting. The directors may delegate any of their powers or discretions to committees except those matters specifically reserved for the whole Group Board in the Schedule of Matters Reserved for the Board.

The Group Board promotes high standards of corporate governance and conduct throughout the Group and has a robust governance framework in place. The Chairman is responsible for leading the annual review of the effectiveness of the Group Board.

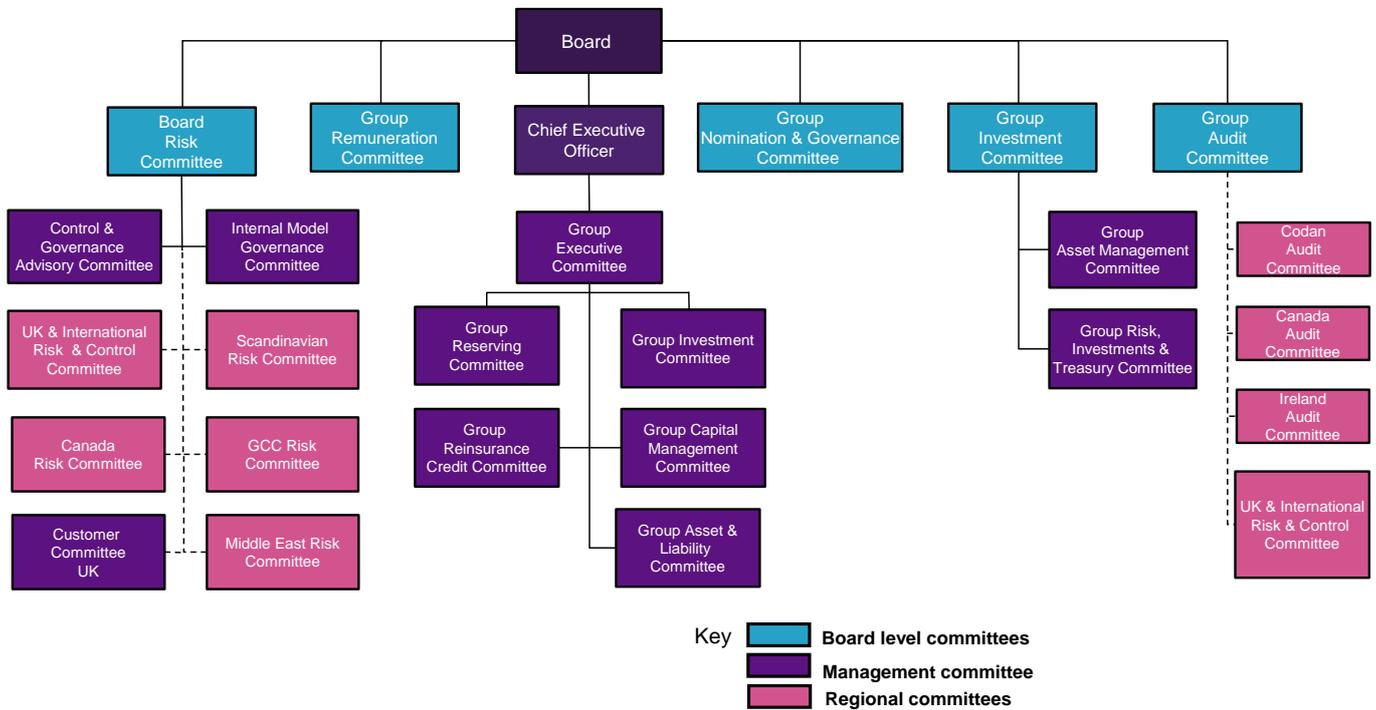
The Group Board is accountable to shareholders for the creation and delivery of strong sustainable performance and the creation of long term shareholder value, while having regard to the Company's other stakeholders. The Board believes that open and collaborative dialogue and interaction with all of its stakeholders is in the best interests of the Company and helps the Group to make a positive contribution to society. The Group Board meets frequently and is responsible for organising and directing the affairs of the Group in a manner that will promote the success of the Company and is consistent with good corporate governance practice, ensuring that in carrying out its duties the Company and the Group meet legal and regulatory requirements. The Company's Articles of Association can be found on the Group's website at www.rsagroup.com/articles.

Directors have access to the services and advice of the Group Chief Legal Officer and Company Secretary and in addition may take independent professional advice at the expense of the company in furtherance of their duties.

The Group Board sets annual objectives for the business in line with the current Group strategy and monitors the achievement of the company's objectives through regular reports which include updates from the Group Chief Executive and the Group Chief Financial Officer on all material business matters.

In addition to the schedule of matters reserved for the Group Board, each of the Group Board's committees has written terms of reference defining its role and the authority delegated to it. The Schedule of Matters Reserved for the Board and the terms of reference for each Group Board committee are reviewed annually.

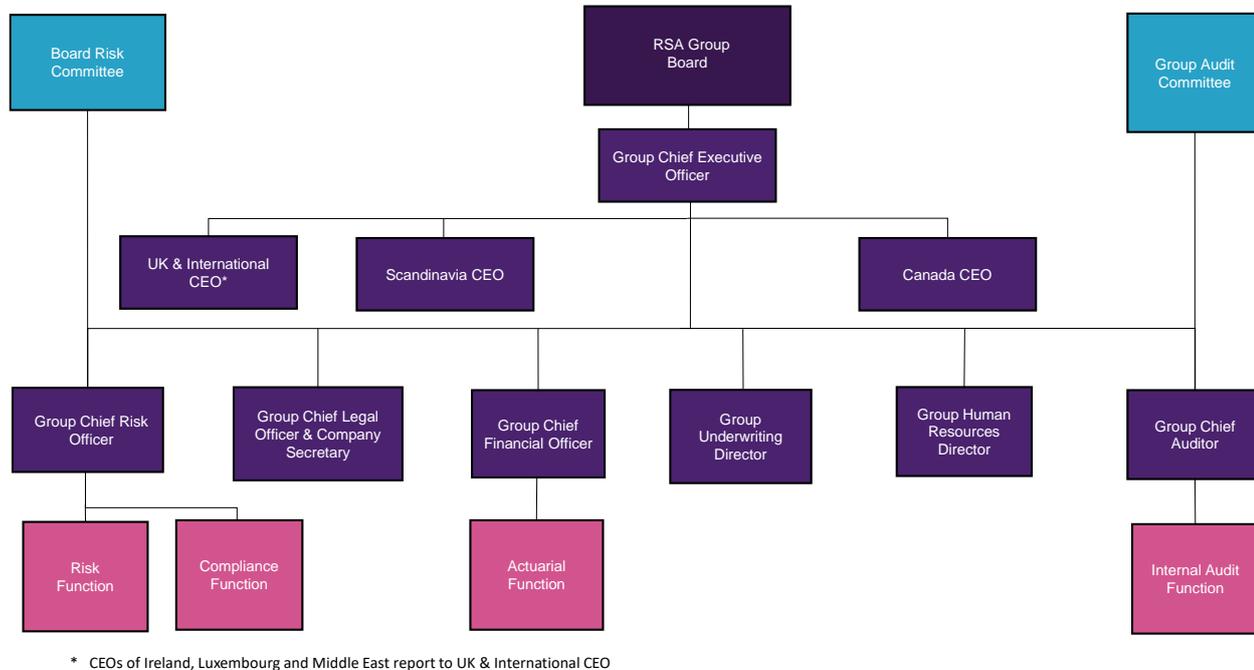
The main Group Board and executive committees and the relationships between them are shown below:



Reports describing the roles, responsibilities and activities of each board level committee can be found in the Group's Annual Report and Accounts 2018 on pages 57 to 67.

B.1.2 Independent key governance functions

The diagram below of the Group executive management structure shows the senior management and the day to day reporting lines of those functions which the Group Board has determined to be the key governance functions: risk, compliance, actuarial and internal audit.



The Group Audit Committee is responsible for the oversight of the effectiveness of the systems of internal control and financial and regulatory risk management systems, and for monitoring the effectiveness and objectivity of the internal audit function. This includes overseeing the relationships between the risk, compliance and internal audit functions for alignment and overlap to ensure they are coordinated and operating effectively to avoid duplication. In addition, the Group Heads of the Compliance and Actuarial Functions and the Group Chief Auditor have a right to meet at least annually with the Group Audit Committee without the Executive Directors or Management being present.

The Group Board Risk Committee (BRC) advises the Group Board on risk management issues, recommends the Group framework of risk limits and risk appetite to the Group Board for approval, and oversees the Group's risk management arrangements. The Committee ensures that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Group Chief Risk Officer has a similar right to meet annually with the Group BRC. In addition, the Group Chief Risk Officer has access to the Committee Chairman and, where necessary, the Chairman of the Group Board.

Those working in the key governance functions in the UK/EEA entities are subject to the provisions of the Fit & Proper policy as described in Section B.2 below.

B.1.3 Changes in system of governance

The changes to the Group's system of governance over the reporting period are the establishment of regional 1st Line Conduct Frameworks, including Customer Committees, and consequent changes to reporting and the Terms of Reference of the Board Risk Committee to provide primary oversight of these regional committees (as at December 2018 the Conduct Framework and

Customer Committee was operational in the UK), together with the introduction of the Senior Managers & Certification Regime and associated Responsibilities Map.

B.1.4 Principles of remuneration policy

The Group ensures that it has appropriate remuneration arrangements through the adoption of a remuneration policy. This policy outlines the Group's overall approach to remuneration, and also the governance framework for making remuneration decisions.

The policy is designed to support the business strategy by appropriately rewarding performance and promoting sound and effective risk management, compliance with external regulatory requirements and alignment to the long-term interests of the Company and its shareholders.

The policy establishes over-arching principles and standards to guide local remuneration decision-making, which is aligned to local market norms and regulations. These principles are based around alignment to long-term Company success, pay-for-performance and risk alignment. A total reward approach is used to support talent attraction and retention, such that the reward framework includes both fixed remuneration elements (reflecting an employee's professional experience and responsibility, and can include elements such as base salary, benefits and pension), and variable remuneration elements (which can be awarded to eligible employees, reflecting performance).

The policy establishes specific remuneration provisions for jobholders whose professional activities have a material impact on the risk profile, or have accountability for key governance functions. These provisions are intended to promote effective risk management and include:

- the balancing of fixed and variable remuneration to enable a fully flexible approach to incentives (including the possibility of paying no variable remuneration)
- the design of incentive plans to encourage performance within the Group's risk appetite, including the consideration of material risk factors in incentive award decisions, the operation of deferral and malus adjustment and the operation of clawback provisions for Executive Directors and Executive Committee members, and customised arrangements for those accountable for Key Governance Functions to preserve the independence of their roles
- arrangements to avoid reward for failure in termination payments, and to exclude personal hedging strategy usage

Governance measures aimed at avoiding conflicts of interest are incorporated.

The policy is reviewed regularly, to ensure that it complies with the principles of good risk management and reward governance, taking into account regulatory requirements and the nature of the business.

B.1.5 Variable remuneration performance criteria

Incentive plans encourage performance in line with the business strategy and within the Group's risk appetite, and take into account material risk factors and the Company's ability to maintain an adequate capital base.

Incentive plan performance measures:

- reflect the Group's priority to create shareholder value through sustained growth and profitability, based on its risk profiles. Measures can include for example, profit, underwriting performance, capital, strategic and shareholder value measures; and personal objectives
- are quantified on an 'underlying' basis where appropriate, to provide an undistorted view of business performance and avoid the creation of adverse incentives.

For jobholders whose professional activities have a material impact on the Group's risk profile, a number of mechanisms are included to ensure remuneration does not encourage excessive risk taking:

- Total performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall result of the company or Group
- Targets take account of the Group's operating plan which is set with reference to the risk appetite with input from the Risk function
- Incentive award funding is subject to risk adjustment for exposure to current and future risks, taking into account the company risk profile and cost of capital. An adjustment can take place prior to the payment of Annual Bonus awards, and prior to the vesting of long-term incentive award cycles
- Individual performance assessments take account of financial and non-financial criteria, and are based on consideration of what is delivered and also how goals are achieved
- A portion of variable remuneration is subject to deferral to ensure it is aligned with longer-term risk management. The percentage that is deferred, the type of deferred award(s) and the length of the deferral period are determined by taking into account regulatory requirements, the level of the jobholder and the business context.

The Group has provisions to apply malus adjustment and clawback. The Group Remuneration Committee has the ability to reduce or forfeit awards that have yet to be paid or vest in the case of shares, to delay the payment or vesting date, or to amend another form of award or benefit which has yet to be received (malus adjustment).

For cash bonuses and long-term incentive awards, the Committee may also recover sums already paid to Executive Directors and Executive Committee members if it considers it appropriate to do so. This can be applied during a two-year period after receipt (in the case of cash bonuses) or, in the case of long-term incentives, vesting (clawback).

The circumstances in which malus adjustment and clawback may apply are set out in the Directors' Remuneration Report on pages 66 to 91 of the 2018 Annual Report and Accounts.

Variable remuneration arrangements for those accountable for key governance functions are designed to be independent from the performance of the operational units and areas submitted to their control.

The performance criteria used in Executive Directors' incentive plans are set out in the Directors' Remuneration Report.

In addition to its short, and long-term, incentive plans, the Group operates all-employee share plans (Sharesave and Sharebuild) in a number of countries. Participation is voluntary and available to all qualifying employees. Sharesave is an HMRC tax-advantaged Save as You Earn scheme under which options are not subject to performance conditions, but service conditions apply. Sharebuild is an HMRC tax-advantaged Share Incentive Plan. Shares are not subject to performance conditions, but the Matching Shares are subject to service conditions.

B.1.6 Supplementary pensions/early retirement

No supplementary pensions are operated for the members of the administrative, management or supervisory body and other key function holders. The Group's UK defined benefit pension plans are closed to all new entrants, but some employees have historic benefits built up, which in accordance with the current policies, and the Scheme rules, can be paid early without reduction in certain circumstances. This does not apply to Executive Directors or other members of the Group Board who do not have historic defined benefit pension benefits.

B.1.7 Shareholder/Board Transactions

The only material transactions with shareholders who were not members of key management (the Group Executive Committee, Executive Directors and Non-Executive Directors) were the payment of dividends.

Key Management Transactions

The following transactions were carried out with key management:

	£m
Salaries and other short term employee benefits	7
Bonus awards	1
Pension benefits	-
Share based awards	5
Total	13

Key management personnel comprise members of the Group Executive Committee, Executive Directors, and Non-Executive Directors.

Included in salaries and other short term employee benefits and bonus awards is £3,942,000 paid in respect of directors. These amounts exclude the value of share options granted to directors and gains made on the exercise of such options, Group contributions paid in respect of pension schemes and cash or other assets received or receivable under long term incentive schemes. The total value of the directors' remuneration (including values for these excluded items) and other details are disclosed in the Directors' Remuneration Report (on pages 66 to 91 of the 2018 Annual Report and Accounts)

A number of the directors, other key managers, their close families and entities they have significant influence over have general insurance policies with subsidiary companies of the Group. Such policies are available at discounted rates to all employees including Executive Directors.

Dividends

The final dividend to equity holders is recognised as a liability when approved at the Annual General Meeting (AGM). The Company and its subsidiaries may be subject to restrictions on the amount of dividends they can pay to shareholders as a result of regulatory requirements. However, based on the information currently available, the Group does not believe that such restrictions materially limit the ability to meet obligations or pay dividends. At the AGM on 10 May 2019, a final dividend in respect of the year ended 31 December 2018 of 13.7p per ordinary share amounting to a total dividend of £141m is to be proposed. The proposed dividend will be paid and accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2019. See Section E.1.5 for the corresponding Own Funds impact.

	pence	£m
Ordinary dividend:		
Final paid in respect of prior year	13.0	133
Interim paid in respect of current year	7.3	75
	20.3	208
Preference dividend		9
Tier 1 notes coupon payment		14
		231

The Tier 1 notes coupon payment relates to the two floating rate notes issued on 27 March 2017.

B.2 Fit and proper requirements

B.2.1 Specific fit & proper requirements

The Group Fitness and Propriety Policy provides a single framework across the Group's UK/EEA operations for assessment of fitness and propriety of all employees with additional requirements for both new and on-going appointees in the Key Governance Functions and the Executive Management, and for directors. Group Regulatory Compliance works with the local Regulatory Compliance teams (where applicable) to ensure the consistent implementation of this policy across the relevant Group entities.

The Group Fitness and Propriety Policy applies to directors and all employees of UK/EEA regulated reinsurance/insurance entities with a higher level of requirements for those employees who are deemed to be:

- Individuals who are effectively running and overseeing the business (whether they are directly employed by that business or not)
- Key governance function holders within an insurance legal entity
- Key governance function performers, being individuals working in these functions that are in scope of the additional Fit and Proper requirements due to local regulator requirements or interpretation. Based on guidance from the local regulator, in the UK the Group has interpreted key governance function performers as senior managers within the key governance functions

All other employees must be assessed on their skills and knowledge, expertise, and personal integrity prior to commencement, with re-assessment annually through appraisals.

The Group Board believes that it has the appropriate balance of skills, experience and knowledge to enable it, and its committees, to discharge their duties and responsibilities effectively. The Group Board considers the skills, experience, independence and knowledge already represented when making decisions on new appointments. One of the key responsibilities of the Group Governance and Nomination Committee is to keep under review Board membership and succession planning to ensure that the balance remains appropriate.

The Fitness and Propriety Policy does not apply to non-UK/EEA entities as they are not subject to SII. These entities are subject to their own fit and proper requirements as mandated by the relevant local regulatory authorities.

B.2.2 Assessment process

The Group Fitness and Propriety Policy outlines the minimum requirements to assess and ensure fitness and propriety, including the governance over roles and responsibilities, to ensure compliance. Responsibility for complying with local regulatory rules and requirements rests with the Board of each relevant legal entity within the Group.

Fit requirements

The assessment of whether someone is fit must also include an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses and shall take into account the respective duties allocated to that person, and, where appropriate, the insurance, financial, accounting, actuarial and management skills of the person.

This must include an assessment of the person's:

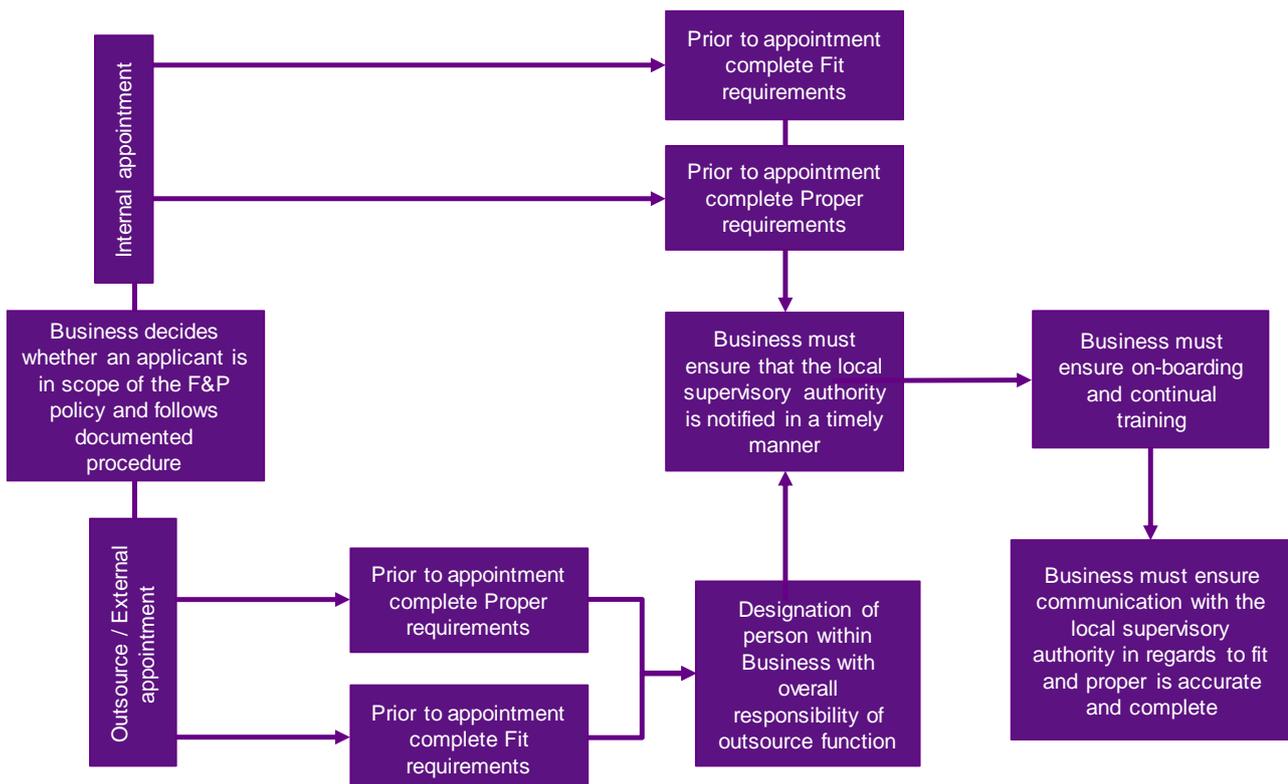
- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

Proper requirements

When assessing whether a person is 'proper', the following is considered:

- Relevant criminal offences, including any offence under the laws governing banking, financial, securities, or insurance activity
- Laws on money laundering, market manipulation, or insider dealing
- Criminal offences under legislation relating to companies, bankruptcy, insolvency or consumer protection

The following diagram outlines the process for determining fitness and propriety for new appointments. The Fitness and Propriety Policy also requires continued assessment of both fitness and propriety post appointment.



B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Description of the risk management system

The three lines of defence

The Group has a comprehensive risk management system which includes a full range of risk policies, procedures, measuring, reporting and monitoring techniques, and a series of stress tests and scenario analysis to ensure that the risk exposures that arise from operating the Group's businesses are managed appropriately.

The risk management system is underpinned by the three lines of defence model (see Section B.3.2). The Group Board are responsible for ensuring the effectiveness of the Group's risk management system, for setting the Group's overall risk strategy and risk appetite (including Group level risk limits and tolerances), and for approving the main risk management strategies and policies.

Risk appetite and strategy

The Group Board is responsible for setting the business strategy which is used to inform the risk strategy statement. The risk strategy statement, which is prepared by the Group Risk function and approved by the Group Board, describes the Group's overall strategy and objectives for managing risks based on a set of key principles.

The risk appetite is set annually by the Group Board. It establishes the appetite for risk by risk category plus high level risk limits and tolerances, and drills down into more detailed risk statements. These are expressed through associated Key Risk Indicators with associated risk limits and risk tolerances.

Risk management cycle

The risk management cycle describes the process used to set, identify, measure, manage, monitor and report on risk impacting each business.

Risk identification (new and emerging risk)

Risks are identified through a range of activities that include policy and control design, stakeholder scenario workshops (attended by internal and external subject matter experts), risk mapping, and an analysis of risk incidents including a root cause analysis. The identified risks, including emerging risks, are recorded in the business function's risk reports and risk profile matrix which records the likelihood of occurrence, the expected residual loss impact, and whether the residual risk is within risk appetite or if not, whether there is an appropriate action plan.

Risk measurement

Once risks have been identified the business must update its risk profile.

Significant risks are periodically reviewed for potential inclusion in the internal model, which is the primary tool for measuring risk.

Managing, monitoring and reporting risk

All significant residual risks are assessed and monitored to determine if the risk is within risk appetite and, if not, whether there is a plan with an owner to bring within appetite within a reasonable timeframe.

Action owners must track all action plans to ensure risk is brought within appetite within a planned timeframe and report progress at least quarterly.

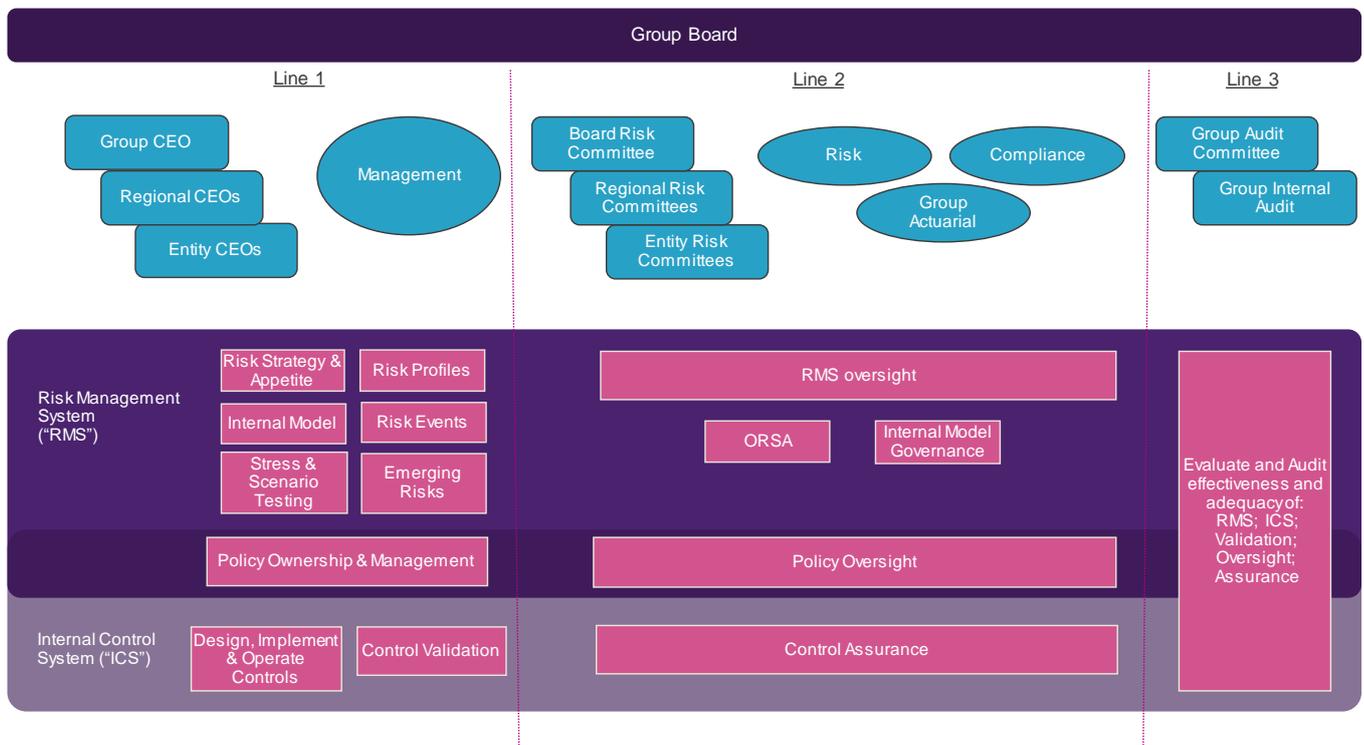
Risk reporting at the aggregate Group level is to the BRC and the Group executive level committees.

Outputs of the internal model are used by the BRC as an integral part of its decision making on matters from setting the risk appetite and adjusting investment exposure and hedges to reinsurance strategy, insurance portfolio risk assessment, or key strategic decisions such as disposals.

B.3.2 Implementation and integration

The Group has established a consistent group-wide approach to the implementation of the System of Governance with the Risk Management System, internal control system and risk policies developed at Group and cascaded to the regions with overall Group oversight to ensure consistency.

The application of the three lines of defence and its interaction with the internal control system is shown below.



B.3.2.1 RSA Internal model governance & assurance

The Group received approval from the PRA to use its internal model to calculate the SCR in December 2015. This approval also applies to:

- **UK Insurance Entities** - RSAI, MIC, RSA Re
- **Danish Insurance Entities** - Codan Forsikring A/S and Forsikringselskabet Privatsikring A/S

As well as being used to calculate the SCR, the model is used for calculating RSA’s own internal views of capital requirements at a Group, regional and entity level. Further, the model is used to allocate capital to individual lines of business and to help assess reinsurance purchase.

The model has a common governance and assurance framework which oversees how the model is run, updated and results reported.

The structure of the Group model governance framework is shown in the following table:

Responsibility	Body/Function	Activity
Held accountable but delegates Internal Model oversight responsibility to the Board Risk Committee (BRC)	Board	Monitors BRC activity and receives sufficient information to oversee the model and understand the output
Ensures model oversight is of appropriate design, operation, risk coverage and compliance	BRC	Reviews and challenges Internal Model Governance Committee (IMGCC) activity, including regular reporting of internal model changes, results of model runs and associated sensitivities, as well as monitors the ongoing appropriateness of the internal model through receiving the Internal Model Validation Report
Ensures operation within regulatory requirements and co-ordinates internal and regulatory economic capital processes	IMGCC	Receives and challenges results of the internal model runs, identifies the need for and assesses changes to the internal model including updates to calibrations and structure. Reviews validation findings and undertakes programme of model improvement including enhancing uses of the model
Undertakes programme of independent validation and reports results to BRC (with debate at IMGCC)	Risk Function (Assurance Provider)	Performs validation activity, identifies and monitors observations including closure. Reviews and challenges the outputs of the model including estimated capital positions and forecasts

A similar structure operates for each of the entities approved to use the internal model.

The IMGCC is responsible for providing overall direction and drive for the governance of the internal model in addition to acting as the coordinating body for the internal and regulatory economic capital process. It regularly provides updates to the BRC.

The IMGCC ensures that the Group’s model change policy is adhered to and remains compliant with regulation, that Data Quality and Assurance processes are in place, and that Independent model validation is performed.

B.3.2.2 Internal model governance changes in the year

There were no material changes to the internal model governance during the reporting period.

B.3.2.3 Internal model validation

The Solvency II Directive (Article 124) requires firms to establish independent validation processes to ensure that the Internal Model is properly designed, developed, tested, documented, implemented and used appropriately.

Validation is a regular process, the primary goal of which is to provide the Group Board with assurance that:

- The internal model is fit for purpose
- The internal model achieves its objectives as defined by the business

Validation assesses the key assumptions and outputs of the model and involves a number of tools and activities such as Stress and Scenario Testing, P&L attribution and Use Test validation.

Each year, the validation team reports the results of the internal model validation undertaken to the BRC and outlines recommended actions and timescales for remediation to occur.

B.3.3 ORSA

B.3.3.1 ORSA process

The ORSA process is a continuous process that takes input throughout the year, to assess how the risks of the business change over time and the consequential impact on the solvency needs and strategy of the business. During the year, the Group Board and BRC consider a range of activities and a final report is presented to the BRC and the Group Board at an appropriate time each year. This summarises papers and associated decisions taken during the period and highlights key areas of action needed over the forthcoming year.

B.3.3.2 ORSA review and approval

Papers are presented to the Group and UK/EEA insurance entity Boards throughout the year dealing with individual elements of the ORSA.

The ORSA report is presented annually to management, the BRC and the relevant Board.

B.3.3.3 Own Solvency needs

As part of the ORSA process, the Group looks at the capital it needs using various bases including:

- Solvency II SCR
- Economic Requirement (including looking at risk to ultimate)
- Rating Agency

Using these measures, it is then able to assess in aggregate its Own Solvency needs and corresponding capital available. The internal model is used for the calculation of the SCR and internal economic measures and is calibrated based upon the risk exposures of the Group.

The assessment of Own Solvency needs includes the 'UK Standalone' position which provides a view of capital adequacy without the contribution of overseas subsidiaries.

In addition, when setting the risk appetite, various levels of buffer to cover potential operating shocks are allowed for. Finally, as part of the Operational Plan and ORSA processes, the capital position of the Group is projected over the period of the operating plan to ensure that the Group will have sufficient capital to meet its needs.

B.3.4 Group consistency

The Group has established a consistent group-wide approach to the implementation of the System of Governance with the Risk Management System, Internal Control System and risk policies developed at Group and cascaded to the regions and insurance subsidiaries, with overall Group oversight to ensure consistency.

The Group operates under a common framework through which risk management and control is embedded. Each business within the Group is required to follow consistent processes, using a common language, to identify measure, manage, monitor and report its risks, in line with a consistent and comprehensive set of policies.

Policies set out risk assessment standards and risk appetite together with detailed procedures including minimum requirements and internal controls and details of controls testing. Each policy is assigned a Group Managing Owner with responsibility for ensuring that the policy is embedded across the Group through regional/local owners.

Risk policies are linked to risk appetite and define the Group's material risk categories, i.e.:

- Insurance Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk (including Strategic and Reputational Risk)
- Pension Risk

These policies set out how the business should identify, measure, manage, monitor and report material risks. They all require localisation and implementation by all businesses and formal adoption by all of the Group's UK/EEA insurance entity Boards.

B.3.5 Use of single Group ORSA

Having received approval from the PRA in April 2016, a single ORSA report is produced for the Group and its UK regulated entities.

B.4 Internal control system

B.4.1 Description of the internal control system

The Group has put in place an effective internal control system which contains administrative and accounting procedures, an internal control framework, with appropriate validation, assurance and reporting arrangements at all levels of the Group, a delegated authority framework, and a compliance framework. The internal control system is underpinned by the three lines of defence model.

The internal control system comprises three key elements:

- **Internal control framework** - whereby policies establish standard controls, which are implemented and operated by the business; supplemented by objective 1st line validation and independent 2nd line assurance processes. The internal control framework includes financial controllership which is subject to assurance through the Financial Control Framework
- **Delegated authority framework** - whereby authority is cascaded down from the Group Board to the business
- **Regulatory compliance framework** - sets out the standard control processes to minimise and/or prevent the risk of material loss, reputational damage or liability arising from the failure to comply with regulatory requirements. Ultimate responsibility for compliance with the relevant rules and regulations rests with the Group Board, the executive and the senior management in each business. Advice, challenge, and interpretation are provided to these bodies by the Regulatory Compliance function

Internal control framework

The internal control framework is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material financial misstatement or loss.

Group policies cover all material risk types to which the Group is exposed and set out both minimum requirements, and standard control sets, for business activities, including delegated activities. This allows the Group to achieve its objectives including effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Policies also establish control validation activities (1st line checks) which ensure controls are designed and operating effectively and assurance activities (2nd line) which examine and oversee business control validation activities to provide additional independent comfort that objectives are being achieved and adequate controls are in place and working effectively.

Adherence to the control sets, and the progress and findings of assurance and validation activity, are reviewed by regional Risk and Control Committees, which have been established with similar terms of reference in all regions. Key issues identified in the committee meetings are escalated to local entity boards or audit committees, and the Group Audit Committee through six-monthly Integrated Assurance Reports. Relevant trends and risks will also be notified to the BRC as appropriate.

Delegated authority framework

The delegated authority framework specifies how executive authority is delegated from the Group Board to the Group Chief Executive Officer, and onwards to senior management within the Group. The Group Chief Executive Officer and senior executives across the Group receive an executive licence setting out their specific limits of authority in terms of entering into financial, underwriting, claims and other business commitments. Each executive is responsible for ensuring a similar process of delegation is in place within his or her area of responsibility.

Effective management of delegated authority enables the business to:

- Ensure that all employees execute their responsibilities within a clearly defined set of limits and subject to specified terms and conditions appropriate to their role, competence, experience and technical capability so as to mitigate the risk of the Group being exposed/committed to material financial, operational, legal, reputational and/or regulatory risk and/or loss
- Ensure consistency is applied over separate policies that have been written covering operational and technical matters
- Ensure that the risks associated with managing and delegating authorities are mitigated through the use of appropriate preventative and detective controls and remain within risk appetite
- Ensure compliance with relevant regulatory and statutory requirements

The delegated authority framework is applied across the Group's businesses where individuals must operate and/or authorise within limits delegated by the Group Chief Executive Officer, their direct reports and/or governing bodies, and ensures consistency between each of the operating subsidiaries within the Group. The powers of the Group Board, and the extent to which these powers may be delegated or must be retained, are set out in detail in the Matters Reserved for the Board or Terms of Reference for the Board Committees.

Regulatory compliance framework

The regulatory compliance framework and policy is owned by the Compliance function. Its purpose is to safeguard the Group, its customers, reputation and assets by creating a compliant culture, complying with regulatory requirements, and identifying and mitigating regulatory risk.

The regulatory compliance framework has been developed to deliver assurance around the Group's compliance culture to both internal and external stakeholders. It consists of a compliance policy and related processes and tools. Together they define the minimum standards and controls to be applied in order to identify and mitigate the risk of regulatory breaches and censure.

Each business is responsible for implementing controls to comply with local regulatory requirements and ensuring these controls remain effective with ultimate responsibility resting with its Board, executive and senior management.

Legal control processes provide oversight of data protection, competition law, financial crime and other legal risk. Human Resources control processes primarily provide oversight of whistleblowing and people risk.

B.4.2. Compliance function

The Group Regulatory Compliance Policy requires all RSA Group businesses to have either a Compliance department or a person responsible for compliance. In 2016, the Group and UK Compliance functions were combined to create the Group & UK Regulatory Compliance function ("the Compliance function").

The purpose of the function is to ensure that Group Corporate Centre, and the UK businesses, meet the relevant UK regulatory requirements. It uses a range of tools to do this which are similar to those used by the non-UK country and regional Regulatory Compliance teams. They are an influencer in ensuring strong regulatory compliance culture and ensure mechanisms are in place to identify, report and resolve issues to avoid or minimise business impact and 'surprises'.

In respect of its group-level activities, the Compliance function provides leadership, oversight, challenge and support to the regional & country regulatory compliance teams to ensure resources and processes serve the business need to meet regulatory requirements effectively.

The Compliance function establishes, implements and maintains an annual compliance plan for the Group and UK respectively setting out the compliance work to be undertaken in the upcoming year. The Group and UK plans are presented to the Group Audit Committee and RSAI Board for approval respectively. Regular updates on progress and material changes are provided to the Group Audit Committee.

B.5 Internal audit function

B.5.1 Implementation

The primary purpose of the Group Internal Audit (GIA) function is “to keep RSA safe and improving”. Specifically, it helps the Group Board and Executive Management to protect the assets, reputation and sustainability of the Group.

GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the second line of defence to the Group Board and Executive Management; assessing whether they are adequately controlled, and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

GIA is an independent and objective function reporting to the Group Board. The Group Chief Auditor is a member of the Group Executive Committee and has a primary reporting line to the Chairman of the Audit Committee, with a secondary line to the Group’s Chief Executive Officer. Regional Chief Auditors report directly to the Group Chief Auditor, while recognising local legislation or regulation.

GIA’s scope of activities is unrestricted and its audit universe extends to all legal entities, joint-ventures and other business partnerships, outsourcing and reinsurance arrangements. Its scope includes first line control validation, second line control assurance and the system of governance as set out under SII. Whilst it is not the role of GIA to second guess any decisions made by the Group Board, its scope does include information presented to the Board and its Committees.

On a semi-annual basis the Group Chief Auditor will submit a six-monthly rolling risk based audit plan (i.e. detailed plan for the upcoming six months, together with an outlook for the subsequent six months), including emerging and systemic risks to the Group Audit Committee for review and approval. The six-monthly rolling audit plan is developed based on GIA’s independent risk assessment and a prioritisation of the audit universe, considering inputs from Executives, Senior Management and the Group Audit Committee, and GIA’s assessment of various “planning lenses” which include fraud risk, culture trends and emerging issues that could impact the organisation.

GIA coverage of the audit universe should be based on the principle of a three-year rolling coverage, during which it shall aim to cover all inherent high risks twice and all inherent medium risks once. Any high or medium risk areas not covered within the three-year time period shall be made transparent to the Group Audit Committee.

The Group Chief Auditor will review and adjust the plan, as necessary, in response to changes in the Group’s business, risks, operations, programs, systems, and controls. Any material changes to the GIA plan will be communicated through quarterly reporting to the Group Audit Committee for approval. When necessary, GIA may conduct audit engagements which are not included in the audit plan, these may be carried out without notice.

In addition to the six-monthly rolling audit plan that is reviewed and approved by the Group Audit Committee, the Group Chief Auditor ensures that the function has a multi-year outlook in line with the Group’s strategic and operational plan.

The Group Chief Auditor will ensure that GIA has the appropriate budget and resources and that GIA collectively has the skills and capabilities to effectively deliver on its purpose and mandate. This includes consideration of trends and emerging issues that could impact the organisation. Where appropriate, independent internal or external co-sourced resources may be engaged to supplement the core team and deliver all or part of an audit engagement.

Annually, the Group Chief Auditor provides the Group Audit Committee with an assessment of the skills and capabilities required to conduct the work needed, and whether the budget is sufficient to allow the function to recruit and retain staff with the expertise and experience necessary to provide effective challenge throughout the Group and to Executive Management. The Group Audit Committee is responsible for approval of GIA’s plan and budget, and reviews and confirms annually that GIA is staffed appropriately and operating effectively.

GIA operates an ongoing Quality Assurance programme that is outsourced to Deloitte. Annually Deloitte reports a summary of the Quality Assurance results to the Group Audit Committee. Further, GIA performs an annual assessment of compliance with professional standards of which the results are reported to the Group Audit Committee. The function is governed by an Internal Audit Charter which sets out the function's role, mandate and authority, and includes independence and objectivity criteria.

B.5.2 Independence and objectivity

GIA must be independent from management at all times in order to be effective in delivering on its purpose and mandate. Internal auditors shall have no operational responsibility or authority over any business activities, day-to-day risk management or control activities.

Internal auditors are expected to remain independent and objective in all assignments and do nothing that might prejudice or be perceived as prejudicing independence and objectivity. Impairments to independence and objectivity may include, but are not limited to:

- auditing business areas for which an individual previously worked or was previously responsible (auditors must refrain for a period of at least 12 months)
- auditing an area where an individual has a close relationship with one of its staff (e.g. partner, family member)

Independence and objectivity may also be impaired if an individual is approached about, or receives, an offer of employment from an area that they will be, or are, auditing. To prevent undue influence, the Group Chief Auditor must be advised of any approach and has the option to defer the offer for up to six months following completion of the audit.

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed immediately to the Group Chief Auditor, who will determine whether the Group Audit Committee will need to be informed.

Audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mind-set.

The Group Chief Auditor reports, at least annually, to the Group Audit Committee on the independence of the Function and its staff. This is supported by a formal assessment of independence and objectivity for long serving staff, together with an independence self-certification signed by all members of GIA. The Group Chief Auditor will disclose any interference and its implications to the Group Board via the Group Audit Committee.

Where the tenure of the Group Chief Auditor exceeds seven years, the Group Audit Committee will discuss the Chairman of the Group Audit Committee's assessment of the Group Chief Auditor's independence and objectivity. Thereafter the Group Audit Committee will consider the Group Chief Auditor's independence and objectivity annually.

B.6 Actuarial function

The Actuarial function coordinates the calculation of technical provisions. It provides assurance that the actuarial information to set technical provisions uses appropriate methods, models, and assumptions and it assesses the appropriateness, completeness and accuracy of the underlying data. It also confirms the adequacy of the SII technical provisions and informs areas where experience is different and how this has influenced methods, models and assumptions. The Actuarial Function also provides an opinion on the underwriting policy and the adequacy of reinsurance arrangements. It contributes to the effective implementation of the risk management system.

The Group Actuarial Function holder has independent access to the Group Audit Committee. On an annual basis, the Group Actuarial Function produces Actuarial Function Reports summarising the key conclusions of the Actuarial Function's work and these are presented to the Group Audit Committee and/or the BRC.

B.7 Outsourcing

B.7.1 Policy and key activities

The Group's approach to outsourcing is based on a central framework with local adoption and responsibility. The framework is set out in the Group's Third Party Contracts Policy (which also covers intra-group outsourcing), which is adopted by the RSA local entity boards and rolled out locally. Additional Group policies place further controls on specific types of outsourced contract such as the Technical Delegated Authority Framework which covers external underwriting and claims delegated authorities.

The Third Party Contracts Policy provides a Group wide definition of critical and important activities and functions to ensure consistency of approach. The policy sets out the provisions to be followed in relation to all outsourcing, with additional controls being imposed on critical and important outsourcing. It additionally specifies the operational responsibility and establishes the provisions to be taken into consideration in supplier agreements.

The framework also establishes the necessary responsibilities, maintaining a proper separation of activity, so as to ensure correct local service control through Group Approved Local Supply Chain Processes and maintenance of oversight within the Group.

Service providers of activities designated as critical and important are generally located in the same jurisdiction as the relevant local RSA entity except in relation to the provision of centralised group services (email, calendar, and collaboration services) which are generally provided by RSAI.

The service types outsourced (in whole or in part) in one or more region include:

- IT Infrastructure services
- IT Application development / maintenance
- Loss adjusting
- Print and fulfilment
- Claims handling
- HR / Payroll
- Claims legal services
- Finance billing
- Policy administration
- Sales

B.7.2 Intra-Group outsourcing arrangements

The Group enters into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

RSA local entities also enter into outsourcing agreements with other members of the Group in relation to the efficient provision of services across the Group. Regardless of whether an internal or third party outsourcing arrangement has been entered into, ultimate responsibility for the outsourced activity and regulatory compliance lies with the local entity board.

Specific material intra-group arrangements include the provision by RSAI of the Internal Model framework and certain investment services (such as valuation) to other subsidiaries.

B.8 Any other information

B.8.1 Adequacy of system of governance

The adequacy of the system of governance is formally considered by the Group Board annually. This process considers both changes and recommendations made during the year (including through Internal Audit, Risk and Compliance reporting) and any recommendations by the Group Corporate Centre departments based on their observations or regulatory change. Should it be deemed necessary, changes can also occur outside of this formal review. The Group's system of governance is effective and fit for purpose taking into account the nature, scale and complexity of the risks inherent in the its business.

B.8.2 Any other material information

Nothing to report.

C. Risk Profile

The previous section of the report included information on the Group's risk management system (see Section B.3). This section of the report provides more detail on the risks faced, including how the Group measures and mitigates against them. The Group is exposed to the following main categories of risk:

- Insurance Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk
- Pension Risk

The first five categories are described in sections C.1 to C.5 respectively, since Pension Risk is not a separate category in the prescribed SFCR structure, it is addressed under the "C.6 Other material risks" heading. Insurance risk includes claims risk and reserving risk and these are all described under the prescribed heading "C.1 Underwriting risk".

Section C.7 brings together information on the Group's stress testing and sensitivity analysis across all categories of risk.

The Group quantifies its exposure to different types of risk as part of its SCR calculation. See QRT S.25.03 in Appendix 8 for a breakdown of how much each type of risk contributes to the SCR.

C.1 Underwriting risk

C.1.1 Introduction

Underwriting, claims and reinsurance risks

The Group manages these risks through its underwriting strategy, reinsurance arrangements and proactive claims handling.

The Group risk appetite statement sets the high level appetite for insurance risk.

Additionally, the Group has a centrally managed forum to examine Group underwriting and claims issues, review and agree underwriting direction and set policy, frameworks and directives where appropriate.

The underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The Group underwriting line of business risk appetite statements set the context within which individual portfolio strategy statements are developed, setting the appetite for the writing of individual risks.

Specific to the Group risk appetite, the underwriting and claims policies define the controls implemented to manage the Group's limited appetite for:

- 'Special High Risks', including long term policies and lines of business where RSA lacks appropriate specialist expertise and Reinsurance support e.g. Aviation and Space
- Writing business in 'High Risk Countries' so designated due to sanctions or presenting an unacceptable level of operational risk. The High Risk Country Committee periodically reviews and communicates 'High Risks Countries'

Reserve risk

The Group establishes technical provisions for claims to account for the anticipated ultimate cost of all claims and relevant expenses for claims that have already occurred. The Group establishes technical provisions for both reported and unreported claims. Technical provisions estimates are based on known facts and on interpretation of circumstances including the Group's experience with similar cases and historical claims payment trends. The Group also considers the development of claims payment trends, levels of unpaid claims, judicial decisions and economic conditions.

C.1.2 Measures used to assess risk

Underwriting and claims risk

The Group's underwriting strategy and risk appetite are reviewed, challenged and approved by the Group Board annually.

Key risk indicators assess risk against the Board risk appetite and these are reported at the quarterly Regional Control and Risk Committees. Underwriting risk indicators include measures for exposure control, pricing, the control environment and licences.

Portfolio strategy is reviewed quarterly under the Portfolio Review Risk Management process (Insurance Risk Portfolio Classification). This enables ongoing, proactive management of the implementation of portfolio strategies together with facilitation of forward looking portfolio risk assessments against measured key risk indicators. Risks and issues are escalated to Regional Risk & Control Committees and the BRC.

Claims fall within the scope of Portfolio Review, but claims risks are also monitored separately to facilitate management within appetite. The scope of claims risk indicators covers financial control, technical claims handling quality, case reserving, fraud, and control of delegated authorities.

Scenario and stress testing and risk profiling are undertaken within each region and are reported through the Regional Risk & Control Committees and to the Group Board.

Accumulations for static exposures are modelled using the GAIA Exposure Data Management system to identify 'Per Risk' and Catastrophe risk concentrations and to inform scenario modelling and reinsurance purchase. The Exposure Management Working Group has formal oversight and reporting of the standards for data quality and the minimum requirements for identifying and controlling 'Per Risk' and Catastrophe risk concentrations.

The effectiveness of pricing tools and process is measured through the Pricing Capability Assessment Questionnaire to benchmark the capability against defined measures. The Pricing Capability Assessment Questionnaire defined measures include an assessment of the pricing components i.e. use of historical claims frequencies and severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns and allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of capital.

Underwriting and Claims Validation Reviews are held periodically to test the effectiveness of the processes and controls in the risk management frameworks. Gaps in compliance with the controls require either a Remediation Plan, Risk Acceptance or Exception against the respective control(s) under the Group Risk Policy Management process. Group Underwriting and Claims monitor the progress of Remediation Plans and is the approver for Risk Acceptances and Exceptions. These are reported to the Group Audit Committee, with overdue items escalated to the Senior Claims Underwriting and Reinsurance Management forum.

Breaches of controls are escalated and reported, with material Risk Events escalated to Group Risk and BRC.

Reserve risk

The Group has a Group Reserving Committee chaired by the Group Chief Financial Officer and consisting of the Group Chief Executive Officer, Group Underwriting Director, Group Chief Actuary and Group Chief Risk Officer. A similar committee has been established in each of the Group's major business units. The Group Reserving Committee monitors the decisions and judgements made by the business units as to the level of technical provisions to be held and recommends the level to the Group Chief Executive Officer and Chief Financial Officer. The Group Chief Executive Officer and Chief Financial Officer then determine the level of technical provisions to be recommended to the Group Audit Committee for final approval.

In forming its collective judgement, the Committee considers the following information:

- An actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications. At the end of 2018 these risks and developments include: the possibility of future legislative change having retrospective effect on open claims, changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience, the possibility of new types of claim, such as disease claims, emerging from business written several years ago, general uncertainty in the claims environment, the emergence of latent exposures such as asbestos, the outcome of litigation on claims received, failure to recover reinsurance, and unanticipated changes in claims inflation
- The views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers
- How previous actuarial indications have developed

There have been no material changes to the measures used to assess risks during 2018.

C.1.3 Material risks

Material risks identified during the reporting period include:

- **Catastrophe Risk** - Covers the risk that a single event or series of events of major magnitude usually over a short period, leads to a significant increase in actual claims compared to total expected claims. Losses can arise from either natural perils, for example hurricane, windstorm, flood and earthquake, or from man-made perils, for example industrial accident
- **Pricing Risk** - The risk that portfolio pricing strategies, monitoring and rating are insufficient to generate sufficient returns in key portfolios to maintain profitability and pay claims
- **Reserving Risk** - The risk that case reserves are insufficient, untimely or inaccurate leading to unforeseen adverse development. The risk that more claims are reported in future than anticipated. The risk that legislative changes have a retrospective effect on claim settlements
- **Underwriting Risk Selection** - Covers the risk that claims arising on exposures after the valuation date are higher (or lower) than assumed in the pricing other than due to catastrophes. This can arise as the result of bad experience, third party interventions, ineffective portfolio management, poor pricing, poor risk selection or failure to underwrite effectively
- **Claims Management Risk** - Financial losses through ineffective claims management processes, due to management information or process deficiencies (claims leakage)

During 2018, RSA operations commenced writing affirmative cyber risks coverages. The exposures have been modelled and appropriate Reinsurance coverage purchased.

Brexit risks to inflation and supply chain delays are being monitored and the Group is ready to respond

There have been no other material changes to the material risks during 2018.

C.1.4 Application of the prudent person principle

The prudent person principle is not applicable to underwriting risk.

C.1.5 Material risk concentrations

As a multinational insurer, the Group has exposures all over the world. Material risk concentrations are identified through a robust process via the Group Underwriting Catastrophe Modelling Committee. The Group's two peak Natural Catastrophe zones are Northern European windstorm and Canadian West Coast earthquake where the Group purchases reinsurance to protect against losses of up to £1.5bn (2018 £1.6bn) and C\$3.5bn (2018 C\$3.5bn) respectively.

Large individual risks, for example city centre shopping centres, are closely monitored via the risk management system. These are protected both by the Group Property Risk treaty and, in a multiple loss scenario, by the Group Catastrophe treaty.

C.1.6 Risk mitigation

The Group operates a comprehensive risk management system and policy management framework. This system includes policies which govern key activities such as Underwriting, Claims, Reinsurance and the assessment of insurance risks. The policies introduce a system of mandatory controls frameworks which stipulate a system of minimum requirements and standard controls, and key risk indicators which are used to measure the effectiveness of these controls in mitigating risk. Each quarter, management are required to report on the operation and effectiveness of these controls to governance committees. Key risks are escalated to functional Risk Committees and to the BRC. Controls which are not considered effective are subject to remedial action and risk oversight.

The Underwriting and Claims governance and control framework spans a number of key activities, including (but not limited to):

- The Delegation of Technical Authority (Internal and External) including Licensing and Referrals
- Portfolio Strategy, Performance and Risk Management
- Underwriting Product Development
- Pricing
- Accumulation and Exposure Management
- Multi-National Risks
- Risk Control / Inspection
- Underwriting and Claims File Review / Validation
- Claims Management Processes
- Case Reserving

The management and mitigation of credit risk for reinsurance are described in Section C.3.6 Risk Mitigation.

Reinsurance is a key tool used to mitigate the effect of catastrophe and underwriting risks. Reinsurance arrangements in place include treaty and facultative covers. The Group's treaty reinsurance is largely excess of loss in nature, but also includes a small number of proportional covers. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses beyond the Group's risk appetite in any one year.

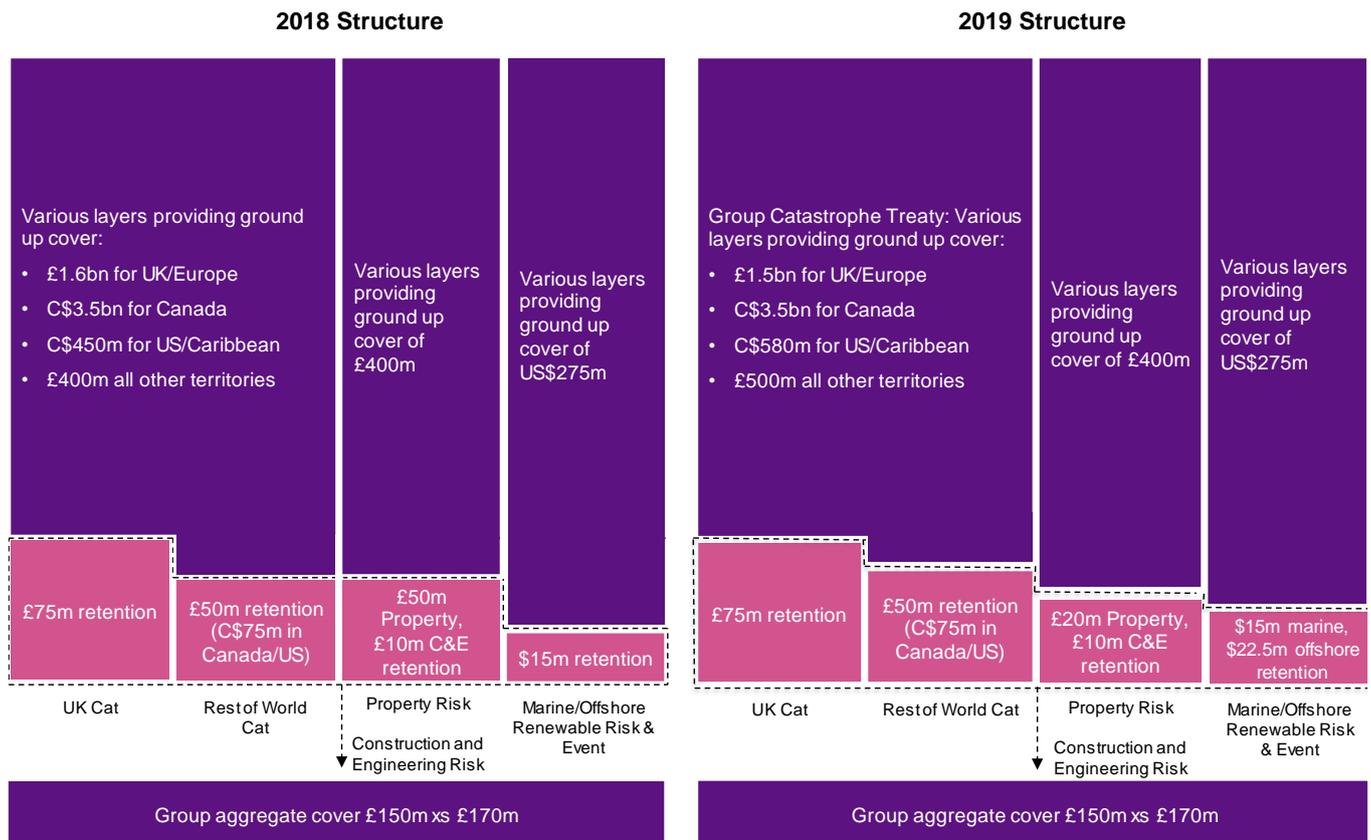
The Group is exposed to both multiple insured losses and losses arising out of a single occurrence, for example a natural peril event such as a hurricane, flood or earthquake.

The Group centrally purchases significant catastrophe cover, buying to a minimum return period of 1:200, higher if required by local regulators. All catastrophe reinsurance is placed with reinsurers with a Standard & Poor's credit rating of A- or better. The Group Catastrophe Treaty protects all the Group entities, any locally placed covers will sit beneath the Group cover and will comply with the Group standard of counterparty and minimum reinstatement provisions.

The Group Volatility cover was renewed for 2018-2020 (in place since 2015), designed to protect against aggregation of smaller individual losses and events, with a franchise of £10m it is also available as a top-most layer on the Catastrophe reinsurance programme in years where the aggregate protection is not used.

Group aggregate reinsurance cover

- 3 year aggregate cover commencing 1 January 2018
- Events or individual net losses > £10m ('franchise level') are added together across the Group's financial year (when a loss exceeds £10m or local currency franchise level it is included in full). Short tail classes only.
- Cover attaches when total of these retained losses is greater than £170m
- Limit of cover is £150m per year, £300m maximum over three year period



The Group remains primarily liable as the direct insurer on all risks reinsured, although the reinsurer is liable to the Group to the extent of the insurance risk ceded.

For 2019 the Group also purchased 3 new lower level protections for UK, Canada and Scandinavia.

- **Canada** - \$65m of limit above an aggregate deductible for Risk and Cat losses \$8m xs \$2m and \$12.5m xs \$5m respectively
- **UK** - £30m of limit above an annual aggregate of £58m for Property and Construction risk losses £7m xs £3m and for Marine risk and event £7m xs £3m.
- **Scandinavia** - DKK 180m limit above an annual aggregate of DKK 130m for Property and Construction losses DKK 80m xs DKK 20m, and Property Cat events DKK 50m xs DKK 50m

C.1.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.2 Market risk

C.2.1 Introduction

The Group is exposed to market risk, which is the risk of potential losses from adverse movements in market prices including those of bonds, equities, property, exchange rates and derivatives as well as credit rating downgrade risk, credit spread risk, credit default risk and asset-liability matching risk.

C.2.2 Measures used to assess risk

The Group assesses its market risk exposures through a number of factors including: exposure by asset class, credit rating of counterparties, asset liability mismatch due to divergence in duration and currency exposures, and concentration exposures. In addition stress and scenario analysis is undertaken to assess market risk exposures.

Exposures are controlled by the setting of investment limits and managing asset-liability matching in line with the Group's risk appetite.

The Group Investment Committee, on behalf of the Group Board, is responsible for reviewing and approving the investment strategy for the Group's investment portfolios. It provides approval for all major changes of the Group's investment strategy. The Group Asset Management Committee reviews and approves any substantive changes to the balance of the Group's funds within the strategy framework agreed by the Group Investment Committee. In addition, asset liability matching both by currency and duration is monitored by the Asset and Liability Committee.

The BRC sets the Group's risk appetite and issues investment risk limits to the Group Asset Management Committee.

This includes limits on asset class exposures, single counterparty exposures, aggregate exposure to bonds by credit rating, portfolio duration etc. These limits aim to keep exposures within the Group's risk appetite whilst ensuring the portfolio is sufficiently diversified. Investment exposures relative to these limits are regularly monitored and reported.

A number of the Group's property holdings are Group occupied and therefore are reported as property, plant & equipment held for own use in the SII balance sheet. The Group's investments in investment property are recorded separately and these investments are held as part of an efficient portfolio management strategy.

Operational currency risk is managed within the Group's individual operations by broadly matching assets and liabilities by currency.

Structural currency risk is managed at a Group level through currency forward and foreign exchange option contracts. In managing structural currency risk, the needs of the Group's subsidiaries to maintain net assets in local currencies to satisfy local regulatory solvency and internal risk based capital requirements are taken into account. These assets should prove adequate to support local insurance activities irrespective of exchange rate movements. Consequently, this may affect the value of the consolidated shareholders' equity expressed in Sterling.

There have been no material changes to the measures used to assess risks during 2018.

C.2.3 Material risks

The Group is exposed to the following material market risks:

Interest rate risk

The fair value of the Group's portfolio of fixed income securities is inversely correlated to changes in market interest rates. Thus if interest rates fall, the fair value of the portfolio would tend to rise and vice versa.

In assessing this risk, the Group will have reference to the interest rate exposures of its liabilities with risk being the difference between asset and liability exposures

Equity price risk

The Group's portfolio of equity securities is subject to equity risk arising from changes in market price. Thus, if the value of equities falls, so will the fair value of its portfolio and vice versa.

Property price risk

The Group's portfolio of properties is subject to property price risk arising from changes in the market value of properties. Thus, if the value of property falls, so will the fair value of the portfolio and vice versa.

Currency risk

The Group operates in a number of countries. Accordingly, its net assets are subject to foreign exchange rate movements. The Group's primary foreign currency exposures are to the Danish Krone, Euro, Canadian Dollar and the Swedish Krona. If the value of Sterling strengthens, then the value of non-Sterling net assets will decline when translated into Sterling and consolidated.

The Group is exposed to currency risk in two ways:

- **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 (non-functional currencies)
- **Structural currency risk** – by investing in overseas subsidiaries and operating an international insurance group

Asset Managers are positioning assets to minimise Brexit risk where possible. There have been no material changes to the material risks during 2018.

C.2.4 Application of the prudent person principle

The Group applies both market risk and liquidity risk policies that set out the minimum requirements for the identification, measurement, monitoring and reporting of market risk, liquidity risk and credit risk arising from investments for the Group's investment portfolio. A set of key risk indicators in the form of an investment limits framework has been developed alongside the policy. The policy refers to this for investment risk management and reporting purposes.

In particular, the prudent person principle requires each operation and the Group to exercise prudence in relation to the investment portfolio and to ensure assets are appropriate to the nature and duration of its liabilities (assets and liabilities management). It must also be able to show that it has appropriate systems and controls to hold and manage any such investments.

The prudent person principle also requires a duty of care that must be applied for investments that are of non-routine nature, or that are not admitted to trading on a regulated financial market or to complex products such as derivatives or securitised instruments. The Group follows a high quality, low risk investment strategy with limited exposure to higher volatility investment classes such as equities, or to balance sheet foreign exchange volatility. Asset and liability duration is broadly matched, with limited flexibility for tactical asset management.

The Group's portfolio focus is on high quality bonds and cash, with measured holdings in equities and property. At 31 December 2018, the Group held over 64% of the fixed income portfolio in government bonds and AAA rated non-government bonds, minimising any liquidity risk and enabling funds to be transferred when required. The credit rating of the fixed income portfolio of the Group is predominantly investment grade with circa 99% of bonds held rated BBB or higher at 31 December 2018.

C.2.5 Material risk concentrations

The Group's investment portfolio consists predominantly of high quality, investment grade, fixed income assets broadly reflecting the duration of its underlying insurance liabilities. The fixed income assets are well diversified by sector and geography with 33% of the investments in the SII balance sheet comprising government securities (see D. Group SII Balance Sheet for a breakdown of investment assets).

C.2.6 Risk mitigation

The Group maintains for its general insurance business a low risk, high quality portfolio with exposure concentrated in bonds and cash and only limited exposure to equity and property. Credit risk exposure is mitigated by the high quality nature of the portfolio with circa 99% investment grade and circa 70% rated AA or above. Counterparty concentration risk is limited through limits placed on single counterparties reflecting a number of criteria including the counterparties' credit rating, industry and geography. The Group ensures that it maintains sufficient liquidity for its needs by having a minimum exposure to highly liquid assets such as cash, bonds rated AAA and government and government guaranteed bonds.

Interest rate risk is limited through the Group maintaining a strong match of its bond asset duration relative to its liabilities with exposures being monitored by the Asset and Liability Committee. The Group maintains a limit of its asset duration being within one year of benchmarks which are established to provide a broad match to liabilities. Exposures are monitored by the Group Risk, Investments & Treasury Committee on a monthly basis and reported to the Group Asset Management Committee.

The Group also mitigates its exposure to currency risk through partial hedging of its surplus within its principal subsidiaries through a combination of foreign exchange forward and option contracts.

The Group may use derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates, equity prices and long term inflation. The Group does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on use of derivatives is approved by the BRC.

The Group invests in assets that are not regularly traded such as direct property and funds investing in corporate loans and infrastructure loans. The management of these assets is primarily outsourced to third party fund managers and the underlying exposures are subject to regular independent valuations. In addition, a number of the Group's committees including the Group Asset Management Committee review the exposures on a regular basis to ensure they remain within the Group's risk appetite.

Refer to the Risk Management System in section B.3 for a description of how the Group manages and monitors market risk.

C.2.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.3 Credit risk

C.3.1 Introduction

Credit risk is defined as the risk of loss resulting from a counterparty failing to fulfil its contractual obligations to the Group or failing to do so in a timely manner. The Group is exposed to credit risk in respect of its reinsurance contracts, insurance operations (where counterparties include brokers, policy holders and suppliers), and investments (where counterparties include governments and corporate bond issuers).

C.3.2 Measures used to assess risk

Credit risk arises any time Group funds are extended, committed, invested or otherwise exposed through actual and/or implied contractual agreements with counterparties whether reflected on or off balance sheet.

The BRC is responsible for ensuring that the Board approved Group credit risk appetite is not exceeded. This is done through the setting and imposition of Group policies, procedures and limits.

In defining its appetite for counterparty 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.

Financial assets are graded according to company standards. Investment grade financial assets are classified within the range of AAA to BBB ratings. AAA is the highest possible rating. For invested assets, restrictions are placed on each of the Group's investment managers as to the level of exposure to various rating categories including unrated securities.

Local operations are responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. policyholders, brokers, and third party suppliers). Exposure monitoring and reporting is embedded throughout the organisation with aggregate credit positions reported and monitored at Group level. Reinsurer counterparty credit risk is assessed and monitored at a Group level by the Group Reinsurance Credit Committee.

There have been no material changes to the measures used to assess risks during 2018.

C.3.3 Material risks

The Group is mainly exposed to the following types of credit risk:

- **Counterparty risk** - defined to be the risk that a counterparty fails to fulfil its contractual obligations and/or fails to do so in a timely manner. This includes all types of counterparties such as agents, brokers, reinsurers and other third parties
- **Credit concentration risk** - defined to be an uneven distribution of exposure to counterparties, single-name or related entity credit concentration, and/or in industry and/or services sectors and/or geographical regions
- **Credit downgrade risk** - defined to be the loss or gain from a change in a investment's credit rating agency rating and/or an analyst buy, sell, hold opinion
- **Credit spread risk** - defined as the spread in returns between Treasury and/or Government securities and/or any non-Treasury security that are identical in all respects except for the quality of the credit rating of the non-Treasury security's counterparty

Each RSA business is required to establish appropriate processes in order to identify its outstanding debt and the aging of that debt.

Each RSA business is required to implement processes and procedures in order to collect its outstanding debt in a manner that is consistent with the credit terms provided.

In cases where collection is delayed or is not possible, each business is required to record a provision or write off of the debt according to local and Group Financial Reporting Standards.

Within the Group, the management of credit risk is divided into three key areas, which are governed by separate policies:

- Reinsurance
- Investments
- Insurance Operations

C.3.3.1 Reinsurance credit risk management

Reinsurance credit risk is defined as the credit risk arising from the purchase of reinsurance at Group and at local level. This includes treaty reinsurance, facultative reinsurance and our Global Network.

C.3.3.2 Invested assets credit risk, credit downgrade and credit spread risk

Invested assets credit risk is defined as the non-performance of contractual payment obligations on invested assets, and adverse changes in credit worthiness of invested assets including exposures to issuers or counterparties for bonds, equities, deposits and derivatives etc. Invested asset credit risk arises in all investment portfolios throughout the Group. Credit downgrade risk is defined to be the loss or gain from a change in an investment's credit rating agency's rating and/or an analyst's buy, sell, hold opinion. Spread risk is defined as the risk that arise from negative movement in price in a sector relative to the market resulting for example from the changes in the markets perceived view of the industry sector.

C.3.3.3 Credit risk arising from insurance operations

Insurance operations credit risk is defined as credit risk arising from carrying out daily insurance business operations. This includes loss of principal or financial reward resulting from a counterparty's failure to pay or fulfil all or part of its contractual obligations. For example, if the Group trades with an insolvent broker there is a risk that the Group will not receive all the premiums due from that broker.

There have been no material changes to the material risks during 2018.

C.3.4 Application of the prudent person principle

See section C.2.4 for the application of the prudent person principle to credit risk arising from investments. The prudent person principle is not applicable to credit risk in relation to reinsurance and insurance operations.

C.3.5 Material risk concentrations

The Group is exposed to the following types of risk concentrations:

- Reinsurance Counterparties
- Investment Counterparties
- Off Balance Sheet Guarantees

C.3.5.1 Reinsurance counterparties

The Group reinsurance credit committee oversees the management of credit risk arising from a reinsurer failing to settle its liability to the Group. The Group maintains a list of approved reinsurance counterparties. Other than in exceptional circumstances, the minimum Standard & Poor (or comparable) credit rating to get onto the list is A-. The Group has specific requirements to differentiate between short and long tail classes of business. Collateral is taken, where appropriate, to mitigate exposures to acceptable levels.

The Group's use of reinsurance is sufficiently diversified that it is not concentrated on a single reinsurer, or any single reinsurance contract. The Group regularly monitors its aggregate exposures by reinsurer group against predetermined reinsurer Group limits, in accordance with the methodology agreed by the BRC. The Group's largest reinsurance exposures to active reinsurance groups are Berkshire Hathaway, Lloyds of London and Talanx. At 31 December 2018 the reinsurance asset recoverable from these groups does not exceed 3.9% of the Group's total financial assets. Stress tests are performed by reinsurer counterparty and the limits are set such that in a catastrophic event, the exposure to a single reinsurer is estimated not to exceed 6.5% of the Group's total financial assets.

In addition to exposure from active reinsurance arrangements, RSA has reinsurance receivables due from the Enstar Group relating to the disposal of the UK Legacy business and Motability Operations Reinsurance Limited, both of which are protected by guarantees or collateral arrangements. At 31 December 2018, the reinsurance asset recoverable from these groups was equal to 7.1% of the Group's total financial assets.

C.3.5.2. Investment credit risk

For material investment risks, see section C.2.5.

C.3.5.3 Off balance sheet guarantees

The Group has exposure to certain off balance sheet guarantees issued under secured Letter of Credit facilities. The Group does not consider there to be any material risk concentration. As at 31 December 2018 no individual Letter of Credit had a value greater than £150m.

C.3.6 Risk mitigation

The Group employs the following mitigating techniques and monitoring procedures in order to manage the different types of Credit Risk.

C.3.6.1 Reinsurance credit risk management

Mitigation techniques

Group Corporate Centre:

- **Group Reinsurance Credit Committee** - The Committee is responsible for the oversight of the Group's reinsurance counterparty credit risk, managing exposures as described in Section C.3.5.1
- **Approved Reinsurance Counterparties** - Group Reinsurance assess and approve all reinsurance counterparties. Group Reinsurance maintain information on all reinsurance counterparties used across the Group
- **Approved Reinsurance Counterparties meet Corporate Standards** - Due diligence is performed, Group Reinsurance monitor and maintain the Approved Reinsurance Counterparties lists as part of an ongoing risk assessment of reinsurance counterparties. Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions must be effected and reported to the Group Reinsurance Credit Committee
- **Appropriate Metrics** - Group Reinsurance establish metrics which are appropriate for quantifying reinsurance counterparty credit risk across the Group

Business unit requirements:

- **Contract initiation** - Before entering into an outward reinsurance contract a business must ensure and document that it has followed all the requirements of the Reinsurance Policy
- **Exposure approval** - Businesses must seek approval for reinsurance exposures outside the Group Reinsurance Credit policy and standards through the Group's reinsurance appeals process
- **Risk Mitigation techniques** - Where risk mitigation techniques, such as the acceptance of collateral, are used they should be well understood by the business and appropriate processes and procedures must be established to operate the mitigant. The use of off balance sheet guarantees or Letters of Credit are approved on an individual basis

Monitoring process

- **Credit Risk Profile** - Group Reinsurance review the reinsurance counterparty credit risk profile quarterly, and monitor reinsurance counterparty exposure against maximum probable exposure limit quarterly
- **Breaches** - Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions are effected and reported to the Group Reinsurance Credit Committee
- **Ongoing information on counterparties** - Group Reinsurance must maintain information on all reinsurance counterparties used across the Group
- **Quarterly Reporting** - All business units must produce regular quarterly reinsurance counterparty credit risk reports covering their counterparties, and notify all known breaches of policy or appetite immediately

C.3.6.2 Investment credit risk

Mitigation techniques

See section C.2.6.

Monitoring process

All operations review their investment exposure against limits delegated by the Group Asset Management Committee and report these to Group Corporate Centre on at least a monthly basis. Separately, external fund managers, used by the operations, monitor their investment exposures against limits stipulated within their Investment Management Agreements. These limits are set by the operations such that they are consistent with limits delegated to them by the Group Asset Management Committee. In addition, the Group Risk, Investments & Treasury Committee reviews exposures against the Group Asset Management Committee limits for the major operations, as well as the BRC limits for the aggregate global position, on a monthly basis and reports to the Group Asset Management Committee.

C.3.6.3 Insurance operations credit risk

Mitigation techniques

- **Credit Risk Committee** - All businesses must have a Credit Risk committee, responsible for identifying, assessing, maintaining, monitoring and reporting on insurance operations credit risk exposures
- **Debt reconciliations** - Outstanding balances from the general ledger have to be agreed to supporting documentation and overdue payments are chased
- **Completion of due diligence activities** – Each business must confirm material facts about the counterparty by reviewing several elements such as annual and quarterly financial information for the past three years, financial projections, Capital structure, list of top ten suppliers and history of the past two fiscal years (including current year to date)

- **Credit terms are set for each counterparty** - Each business must set credit terms prescribed by Group according to the nature and credit standing of each counterparty. These criteria and the acceptable credit terms are documented on the Insurance Operation Credit Risk policy
- **Procedures for loans and insurance of mortgages** – Each business must put in place procedures that govern the credit assessment of granting of loans to counterparties and the insurance of mortgages
- **Global Network Partners** – The Group performs due diligence and credit risk assessments on Global Network Partners for all businesses

Monitoring process

All operations have to provide the following on a quarterly basis:

- Aged debtors and balances
- Breakdown of debtors
- Top 20 debtors, how much they owe, their credit rating (Standard & Poor ratings to be used, with justification required if an alternative is used), length of extended credit, whether they have exceeded their limit, if so action to recover or cancel relationship/business until 100% of the amount is received or at least amounts beyond 60 days
- Aged debtors variance analysis (budget vs actuals)
- Major credit concentrations by counterparty, counterparty groups. or connected counterparties
- Key Performance Indicators – debtor days (movement against prior quarter and prior year). Targets set by local regions
- Bad debt report providing exposure and estimated recovery by counterparty classified into appropriate buckets, e.g. days past due

C.3.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk, including credit spread risk.

The Group is not exposed to any significant counterparty default credit risk sensitivity that is considered plausible. Historically, the Group has not had to write off any significant balances due to counterparty default. Therefore, credit risk is not included in these tests.

C.4 Liquidity risk

C.4.1 Introduction

Liquidity risk refers to the risk of loss to the Group as a result of assets not being available in a form that can immediately be converted into cash or that conversion can only be achieved at excessive cost (whether through borrowing or overdraft arrangements for example), and therefore the consequence of not being able to pay its obligations when due.

C.4.2 Measures used to assess risk

The Group breaks down liquidity risk into three subcategories:

- **Funding liquidity risk** - the risk that the business may be unable to liquidate assets, secure funding and/or contingency funding arrangements, and/or of excessive and/or prohibitive clauses in such funding and/or contingency funding arrangements, and/or the withdrawal and/or curtailment of funding facilities
- **Foreign currency liquidity risk** - the risk that actual and/or potential future outflows in a particular currency are unable to be met from likely available inflows in that currency or purchased in the foreign exchange market
- **Intra-day liquidity risk** - the risk that liquidity requirements increase during the course of a business day due to delays in settlement proceeds being received and/or problems in the workings of banking or other settlement systems

Suitable monitoring processes are in place to assess all of the above including:

- Creation and maintenance of short-term cash flow forecasts, including by non-functional currency
- Regular dialogue with the Group's operational bankers in each territory
- Use of liquidity Key Performance Indicators to measure the proportion of assets that can be liquidated within a specified time period of 20 working days

There have been no material changes to the measures used to assess risks during 2018.

C.4.3 Material risks

The Group considers that there are currently no material liquidity risks.

There have been no material changes to the material risks during 2018.

C.4.4 Application of the prudent person principle

See section C.2.4 for information on the prudent person principle.

C.4.5 Material risk concentrations

The Group maintains a strong and liquid portfolio of cash and investment assets which are monitored by type and duration in order to provide a broad match against its liabilities. A minimum of 25% of assets is required to be highly liquid.

For more information see the liquidity risk table in Note 5 of the Group Annual Report and Accounts.

C.4.6 Risk mitigation

The Group minimises risk by operating a high quality, low risk investment strategy which matches a relatively short liability duration.

Each operation adheres to a liquidity policy (for entities outside the UK, of at least 25% of investment assets are to be held in cash, cash instruments, unencumbered AAA rated bonds and appropriate domestic government bonds) that ensures that adequate liquid resources are maintained at all times such that liabilities can be met as they fall due.

In addition, each operation produces a range of cash flow forecasts from short-term operational plans to 3 year forecasts in conjunction with the Group's core planning processes.

Group Treasury maintains a contingency funding plan that considers access to a range of funding options and sources under normal and stressed scenarios.

C.4.7 Expected profit in future premiums

The Expected Profit in Future Premiums (EPIFP) is the profit relating to existing contracts with premium due in the future but not yet received at the valuation date. The EPIFP has been calculated for each homogeneous risk group – loss-making policies have only been offset against profit-making policies within a homogeneous risk group.

At 31 December 2018 the Group EPIFP was £232m.

C.4.8 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

The Group does not currently consider liquidity risk as a material risk. This decision is reviewed on a regular basis.

C.5 Operational risk

C.5.1 Introduction

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks are inherent in the Group's operations, and are typical of all enterprises.

C.5.2 Measures used to assess risk

Operational risk exists in almost every aspect of business within RSA, and the effective management of operational risk plays a significant role in enabling the business to meet its strategic objectives and to deliver good customer outcomes.

The Risk Management Policy documents both the policy requirements for the identification, measurement, management, monitoring and reporting of operational risk, as well as setting out the processes and procedures for the effective operation of the risk management system. The risk management system sets out RSA's approach to minimising and/or preventing the risk of customer detriment, material loss, reputational damage or liability arising from the failure to comply with risk requirements with a particular focus on operational risk.

In order to facilitate identification and control, the business breaks down operational risk into four sub-categories:

- **Process risk** - the risk of direct or indirect loss resulting from inadequate or failed internal processes
- **Systems risk** - the risk of direct or indirect loss resulting from inadequate or failed infrastructure of the organisation including network, hardware, software, communications and their interfaces
- **People risk** - the risk of direct or indirect loss resulting from the deliberate or unintentional actions of employees and/or management of the business or from their inaction
- **External risk** - the risk of direct or indirect loss resulting from events outside the business control or from events that impact on an external relationship

The line 1 business functions, supported by the Regional and Group risk functions, ensure that new risks are identified, which can include risks created by changes to the business strategy, and are appropriately reflected in their risk profiles and risk appetite scorecards.

A number of information sources should be used to support identification processes. These include:

- control assessments supported by testing such as validation and assurance activities
- key risk indicators supporting the risk appetite framework
- material business changes, including transformational activity
- emerging risk assessments
- external incidents and internal incidents, which are supported by root cause analyses where appropriate

Once material risks have been identified the business function must update its risk profile by including the risk net of mitigation, i.e. the residual risk (the risk of an event occurring which would crystallise a loss assuming existing controls and other mitigating actions are effective), and recorded on a standard 5x5 Probability and Impact Matrix. The assessment of impact that could be incurred should the risk arise is made using both quantitative financial measures and qualitative reputational scales with consideration to potential impacts on the customer or reputation that could be incurred should the risk arise. Probability assessments run from Very High (more likely than not to happen) to Very Low (less than once in 200 years) and are made with reference to the probability of a scenario arising that would result in these impacts being incurred. Assessments are made by the line 1 risk owner supported (and challenged) by the risk function.

The business function assesses all residual risks to determine if the risk is within risk appetite, and if not whether there is a plan with an owner to bring the risk within appetite within a reasonable timeframe.

Risk profiles, risk appetite scorecards and where applicable action plans are reviewed and challenged by the risk functions and at appropriate Risk Committees.

An annual sense check compares the operational risk capital scenario assessments to the operational risks included on the risk profiles to ensure consistency and completeness of the risks assessed and the assessments themselves.

There have been no material changes to the measures used to assess risks during 2018.

C.5.3 Material risks

The material risks that the Group is exposed to are as follows:

Risk	Description
Programme Transformation Change	<p>A major project critical to strategic business objectives is running behind schedule and/or incurring additional unbudgeted costs.</p> <p>Additional strain placed on business by key Business as Usual staff being enrolled on projects, resulting in work backlogs, customer detriment, untimely turnaround/response times, staff stress, and pressure from increased workloads.</p>
Legal/Legislative Non-Compliance	<p>The firm incorrectly interprets law or legislation and/or erroneously excludes crucial terms and conditions (from non-insurance policy contracts) leading to minor sanctions, negative reputational consequences, customer detriment, and/or change in business practices/decisions.</p> <p>Firm fails to comply with changes in legislation, laws, supervisory directives, market directives, accounting practices, taxation requirements, or other requirements issued by relevant authorities within prescribed time.</p> <p>Receipt of bribes/inducements to secure business/opportunities, acting in a way considered anti-competitive.</p>
Inappropriate Underwriting	<p>Failure (of the firm or management) to exercise appropriate levels of oversight on sales practices being adopted by individuals or related entities authorised to represent the firm or distribute its products and services directly to the market.</p>
Loss of a material reinsurance payment	<p>Staff fail to correctly execute reinsurance (treaty) contracts (not executed at all or disputed by reinsurer) resulting in lack of cover for large exposures and failure to recover funds from a large loss.</p>
Theft or Corruption of Data	<p>An external party attacks the firm's IT systems with the purpose of defrauding the firm, theft or corruption of data, destroying systems, etc.</p> <p>A firm loses or discloses customer records/personal details as a result of staff negligence or loss of mobile media devices.</p>
Financial reporting and accounting errors	<p>Inadequate financial processes that result in financial accounting and/or reporting errors and misstatement of financial accounts.</p>

Risk	Description
Regulatory Breach	<p>Regulatory breaches or failures that cause detriment to customers, clients or significant trading partners, including incorrect licensing or permissions.</p> <p>Failure to comply with changes in regulations issued by relevant authorities in the prescribed time.</p> <p>Inadequate sanctions systems, processes or failed sanction controls.</p>
Business Interruption	<p>A disaster recovery event causing damage or disruption to business operations, assets, utilities and third parties, including natural disaster, war, riots, terrorism, explosion, vandalism, social unrest, fire, etc.</p> <p>Systems (software or hardware) failure resulting in staff being unable to use critical systems to work.</p>
Third Party Management	<p>A failure to manage, monitor and assess third parties, included outsourcing arrangements, can result in poor performance or service issues impacting the customer and resulting in error/breaches. In the worst cases this can lead to business interruption, regulatory or legislative fines, financial loss or reputational damage.</p>

There have been no material changes to the material risks during 2018. IT and Cyber is a key risk for the group that is factored into multiple risks raised above, especially theft or corruption of data and business interruption. Brexit is another key risk area facing the group, however the existing risks identified above are reflective of the potential operational risk impacts, especially business interruption legal and regulatory, and 3rd party management.

C.5.4 Application of the prudent person principle

The prudent person principle is not applicable to operational risk.

C.5.5 Material risk concentrations

Whilst there are many inter-dependencies between operational risks there are no material risk concentrations, in part a consequence of the regional businesses operating independently of each other.

C.5.6 Risk mitigation

The operational risk management strategy is achieved through the following:

- the Risk Management Policy and supporting Business Control Policies
- the Operational Risk Process and Procedures
- the risk appetite and/or risk limits and tolerance levels

The Risk Management Policy is supported by 46 policies that detail a standard set of controls. The effective operation of the controls, control validation and assurance outlined in this and other policies is important to mitigate the risk of override at all levels, including that of management. Policies are developed to provide a consistent set of controls so that risks remain within risk appetite.

The operation of the policy framework is detailed in the risk management system detailed in the system of governance. Worthy of note are the following:

- Assurance that the business is complying with both Risk Policies and Business Control Policies is managed through control validation and assurance procedures which assess the effectiveness of the standard controls
- Policies are subject to an annual review, led by the line 1 owner and supported by the risk function. Any change is subject to review, challenge and agreement from the Control Governance Advisory Committee, which is a group-wide committee with authority for policy management delegated down from the BRC
- Policy owners must ensure that the minimum requirements defined in the policies are in place across business functions to meet the requirements of the policy
- Requests for variation, risk acceptance and/or remediation plans agreed must follow the Policy Management Lifecycle

The business manages risks on an ongoing basis in line with risk appetite. The business clearly documents the management and/or mitigation of the risk exposure through risk avoidance, risk reduction, risk transfer or risk acceptance. Where the risk exposure is judged to be unacceptable relative to risk appetite, actions must be taken to mitigate and/or manage the risk.

In managing and/or mitigating risk, the following four areas are considered:

- **Risk avoidance** - defined as not engaging in the activity that gives rise to the risk exposure. This may include a change in the scope of activities that present the risk exposure
- **Risk reduction** - defined as a reduction in the probability and/or impact of the risk exposure. This would be achieved by either:
 - Implementing new or enhancing existing controls
 - Transferring the business activity, for example to an outsourced provider
- **Risk transfer** - defined as the movement of the risk exposure to another party who is more willing to bear the impact, for example through an insurance arrangement. Risk transfer must be assessed and referenced to the risk appetite, the type of risk, the scale of the potential impact and/or costs and exclusions
- **Risk acceptance** - defined as an agreement by the business to retain and manage the risk exposure, for example where no mitigation is available to mitigate the risk or the cost of mitigation is deemed to be excessive in relation to the risk mitigation benefit

Action plans are developed by the functional business teams where needed to bring risks back within appetite, with action plans being reviewed and challenged at Risk Committees. Action plans include assigned owners, actions to be followed and delivery dates.

The business functions, supported by the regional risk teams, will:

- review the reports presented to the regional control committees and consider if any of the control weaknesses reported need to be reflected as residual risks out of appetite on the risk profiles reported to the quarterly regional risk committee
- review the risk incident reports to assess trends and highlight any potential breaches of operational risk appetite
- consider the impact of any major strategic or structural change within the organization or the business environment on the risk profiles
- consider the impact of any emerging risk reviews, scenario tests or other deep dives on the risk profiles

The business maintains and reports operational risks assessments in the Risk Profile to evidence regular monitoring and reporting against risk appetite. As a minimum, risk reporting provides sufficient data to:

- inform risk exposure by key risks and control indicators
- describe the impacts, including regulatory breaches, non-compliance with policies and overdue audit actions
- monitor action plans that include improvements to the control environment
- identify systemic operational risks
- identify emerging risks
- monitor and report material operational risk losses and near misses

C.5.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.6 Other material risks

C.6.1 Other material risks faced

In addition to the risks covered above, the Group is exposed to risk arising from the Group's defined benefit pension schemes. See section C.6.2.

C.6.2 Pension risk

C.6.2.1 Introduction

Pension risk covers the risk that the Group's defined benefit pension schemes pose to the Group due to the financial position of the schemes deteriorating resulting in an adverse impact on the capital strength of the Group and/or an increase in the required level of deficit funding payable to the schemes.

The Group operates a number of defined benefit pension schemes with total assets and liabilities each of around £8bn. The majority of the assets and liabilities (around 95%) relate to two major defined benefit schemes located in the UK.

The UK defined benefit schemes were effectively closed to new entrants in 2002, and thus the majority of liabilities in the UK schemes relate to past employees of the Group. From 31 March 2017, the two largest defined benefit schemes in the UK were closed to future accrual meaning there is no further build-up of defined benefit pensions by the Group's employees in the UK.

C.6.2.2 Measures used to assess risk

The Group analyses the financial position of its defined benefit pension schemes on a number of different liability measures including:

- **International Accounting Standard (IAS) 19 Accounting Measure** – benefit payments are projected using best estimate assumptions and then discounted using UK AA corporate bond yields
- **Funding Measure** – liabilities are valued using prudent assumptions in line with local regulatory requirements for determining cash contribution requirements and reflecting actual agreed investment strategy
- **Wind-up/'Buy-out' Measure** – The position of the schemes if the schemes were wound up and all liabilities were bought out with an independent third party insurer

The Group uses a range of deterministic and stochastic approaches to understand the key risks associated with each measure as described below.

There have been no material changes to the measures used to assess risks during 2018; albeit, as part of the 2018 triennial funding valuations for the two large UK pension schemes, the Group has agreed to ultimately fund the schemes to a lower-risk secondary funding measure over time.

C.6.2.3 Material risks

Risks to the financial position of the schemes can largely be categorised as market risks (for example, assets not performing as well as expected) or demographic risks (for example, members living longer than expected).

Exposures to market risks depend significantly on the measure being used to assess the value of liabilities but broadly break down as follows:

- **Equity/property risk** - all measures are exposed to falls in the value of equity, property and other risk assets held by the schemes
- **Interest rate and inflation risk** - all schemes have significant exposure to interest rates and inflation in both assets and liabilities. The net exposure of each scheme will depend significantly on which liability measure is being analysed. For example, the UK schemes' assets are broadly matched against movements in interest rates and inflation on an IAS 19 measure of liabilities but significant exposure remains on the wind-up measure
- **Credit spreads** - the IAS 19 measure has a particular exposure to credit spreads given the use of AA bond yields to discount the value of liabilities

The IFRS value of scheme assets and the scheme obligations are shown in the tables in section D.3.2 (Liabilities for employee benefits including defined benefit plan assets).

Possible market impacts of Brexit are examined and well understood.

There have been no material changes to the material risks during 2018.

C.6.2.4 Application of the prudent person principle

The assets of the UK pension schemes are held under trust and investment strategy is ultimately controlled by the Trustees of each scheme after consultation with the Group. Therefore the prudent person principle in respect of these exposures does not apply in relation to the Group's risk profile.

The Group operates a number of defined benefit pension schemes in Canada, with total assets of around £350m. Whilst responsibility for safe custody of the pension schemes' assets may be delegated to a corporate trustee, Royal & Sun Alliance Insurance Company of Canada, a subsidiary of the Group, is responsible for overall management of the defined benefit pension schemes, including management of the assets. This responsibility is delegated to various Board and Management Committees as well as external investment advisers, who provide regular reporting against risk and return objectives.

Investment of the Canadian pension schemes' assets must be carried out in accordance with various constraints set out in the schemes' Statement of Investment Policies and Procedures document, including market, credit and liquidity policies, and investment objectives set with regard to the schemes' liabilities. In particular, the Group has implemented a "de-risking" investment strategy in respect of the largest Canadian defined benefit pension scheme (with around 70% of total assets) to reduce its holding in equity-type investments over time. The remainder of the assets are/will be held in bond-type investment classes, which provide a stable stream of cash flows that match liability benefit payments. This strategy is expected to reduce funding volatility, through better matching of assets and liabilities. In addition to Group policy, the Canadian regulatory regime is particularly prescriptive and provides further safeguarding in respect of ensuring adherence to the prudent person principle.

At a Group level, there is no material pension risk in Ireland, Middle East and Scandinavia.

C.6.2.5 Material risk concentrations

The schemes hold a well diversified portfolio of assets with extensive controls in place over the size of any single counterparty exposure.

As detailed below, the schemes' largest counterparty exposures are to the UK government who are counterparty to or guarantee the schemes' holding of gilts and Network Rail bonds:

Name of external counterparty	Country of the exposure	External rating	Value of the exposure (£m)	Currency
UK Government	UK	AA (S&P)	4,953	GBP

In addition, the schemes closely monitor the counterparty exposure within their portfolios of swaps and repo arrangements, although these are collateralised on a daily basis and hence the value of exposure is limited to the impact of any daily movement. All other counterparty exposures are well diversified and not considered to be material in the context of the schemes' overall level of assets.

C.6.2.6 Risk mitigation

The Group and the Trustees of the schemes work together to reduce the risks identified above through agreement of investment policy.

The schemes have taken significant steps over recent years to substantially de-risk from return seeking assets such as equities into bonds and other asset classes that produce a stable stream of cash flows that match liabilities. Market conditions and funding levels are also monitored dynamically on an ongoing basis to identify opportunities for further de-risking.

In addition, the schemes have significant hedging programmes in place including the use of interest rate, inflation rate and longevity swaps to mitigate the risk of market movements adversely impacting the financial position of the schemes. For example, the UK schemes entered into arrangements in 2009 that effectively removed all market and demographic risk associated with around 55% of the liabilities relating to pensions in payment at that time (c40% coverage based on current pensioner population).

Both the Group and the Trustees, with the support of their investment advisers, regularly review the performance of the schemes' assets against pre agreed benchmarks to ensure that the schemes' assets are performing in line with expectations. In addition, stress and scenario testing is regularly carried out to understand current exposures.

C.6.2.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.7 Any other information

The only other material information relating to the risk profile of the Group relates to stress and scenario testing and risk sensitivity.

Stress and scenario testing

Once a year, the Group performs a stress and scenario testing exercise aiming at quantifying the impact on own funds of several scenarios, including a reverse stress test, agreed with senior management and the BRC. The exercise is led by the risk function with input from other functions.

The impact on the SII surplus is quantified where possible.

The scenarios and process to be followed for quantifying their impacts are reviewed and approved by the subject matter experts in the business. The results must be approved by the BRC.

All entities must perform their own stress and scenario testing exercise on an annual basis following a governance similar to the Group, and provide the results to the Group Risk Function.

In addition, the Group performs a range of sensitivity tests to assess how capital surplus will respond under SII and the Group's ORSA measures. Additional tests are also performed to assess the responsiveness of the Internal Model SCR to different assumptions.

The stress testing and sensitivity testing activities cover all material risk classes to which the Group has an exposure.

A selection of key sensitivities are published externally alongside the results, and in the Group Annual Report and Accounts. These are reproduced here.

Key points are:

- Greatest sensitivities are to equities and credit, via pension impacts
- Reduction in capital volatility achieved through de-risking actions

SII coverage ratio sensitivity

As at 31 December 2018 the Group's coverage ratio is 170%. The following table shows the change in value of the coverage ratio due to different hypothetical market changes and a catastrophe.

	% Change to Coverage Ratio Including pensions	% Change to Coverage Ratio Excluding pensions
Interest rates: +1% non-parallel shift	6%	6%
Interest rates: -1% non-parallel shift	(8%)	(7%)
Equities: -15%	(6%)	(2%)
Property: -10%	(3%)	(2%)
Foreign exchange: GBP +10% vs all currencies	(5%)	(5%)
Cat loss of £75m net of reinsurance	(4%)	(4%)
Credit spreads: +0.25% parallel shift	(2%)	(2%)
Credit spreads: -0.25% parallel shift	(9%)	2%

Notes:

Interest rate sensitivities use a non-parallel shift, to reflect that the long end of the yield curve is typically more stable than the short end.

The IAS 19 surplus cap will dampen upside credit spread sensitivities, so these should not be extrapolated.

Sensitivities have been considered in isolation. Should sensitivities impact in combination there may be some natural offsets between them, or second-order compounding effects.

UK Pension scheme assets and liabilities - market sensitivity

As at 31 December 2018 the Group's two main UK pension schemes have combined assets of £7,815m and liabilities of £7,457m on an IAS 19 basis. The following table shows the broad change in value of the assets and liabilities due to different hypothetical market changes.

	Assets £bn	Liabilities £bn
Interest rates ¹ : -1%	1.6	1.4
Inflation ¹ : +1%	1.0	0.8
Equities ² : -15%	(0.1)	-
AA Credit spreads: -0.25%	0.1	0.3

¹ Actual net sensitivity to changes in interest rates and breakeven inflation will vary depending on size and direction of stress and is also highly dependent on the level of credit spreads at any point in time.

² Includes 15% reduction in equities and 10% reduction in all other "growth" assets.

UK Pension scheme defined benefit obligations - assumption sensitivity

Sensitivities for the defined benefit obligations of the two main UK schemes are shown below (gross of tax):

		2018 £m	2017 £m
	Changes in assumption		
Discount rate	Increase by 0.25%	(299)	(363)
RPI / CPI ¹	Increase by 0.25%	187	228
Core mortality rates ²	Reduce by 12%	278	319
Long-term future improvements to mortality rate	Increase by 0.25%	61	78

¹ The impact shown is for the appropriate increase in the revaluation of deferred pensions and the increases to pensions in payment resulting from the specified increase in Retail Price Index (RPI) and Consumer Price Index (CPI).

² Reducing the mortality assumption by 12% is the equivalent of increasing the life expectancy of a male aged 60 years by 1 year.

Shareholder equity – sensitivity to exchange rates

The table below illustrates the impact of a hypothetical 10% change in Danish Krone/Euro, Canadian Dollar or Swedish Krona exchange rates on shareholders' equity when retranslating into sterling.

	10% strengthening in Pounds Sterling against Danish Krone/Euro £m	10% weakening in Pounds Sterling against Danish Krone/ Euro £m	10% strengthening in Pounds Sterling against Canadian Dollar £m	10% weakening in Pounds Sterling against Canadian Dollar £m	10% strengthening in Pounds Sterling against Swedish Krona £m	10% weakening in Pounds Sterling against Swedish Krona £m
Movement in shareholders' equity at 31 December 2018	(36)	45	(60)	73	(21)	25
Movement in shareholders' equity at 31 December 2017	(38)	46	(46)	56	(18)	22

D. Valuation for Solvency Purposes

This section of the report sets out the basis of preparation and assumptions used in the valuation of the assets (D.1), technical provisions (D.2) and other liabilities (D.3) of the Group for each material class under SII.

A description of the differences between the SII basis of preparation and the statutory accounts basis is provided in this section. For assets and liabilities valuation is carried out on the same basis under IFRS and SII, a description of the basis of preparation can be found in the accounting policies section and notes to the Group's Annual Report and Accounts.

Section D.4 sets out details of assets and liabilities that have been valued using alternative valuation methods, in accordance with Article 10(5) of the Solvency II Delegated Act (Solvency II Delegated Regulation 2015/35).

Section D is subject to external audit. However, in Section D.2 the text and figures relating to Risk Margin are excluded from the scope of external audit as these numbers are derived from the Solvency Capital Requirement calculation. See Appendix 6 for further details of the scope of the external audit.

Overview

SII requires assets and liabilities to be valued on a basis that reflects their fair value (described as 'economic valuation') with the exception that liabilities should not be adjusted to take account of changes in an insurer's own credit standing.

The Group's financial information is prepared using IFRS recognition and measurement bases, meaning the valuation of assets and liabilities for SII purposes begins with the IFRS values and adjusts these for specific differences in valuation between SII and IFRS.

The adjustments made are classified into two broad categories:

- **Reclassifications** - of the IFRS balance sheet items into the appropriate SII categories. These are principally of two types: reclassification of financial assets and items classified as held for sale, to comply with SII categories (see "Financial Assets" and "Assets and liabilities held for sale" sections below); and movement from line-by-line consolidation to adjusted equity method for certain subsidiaries (see "Group balance sheet" subsection of "Participations" section below)
- **Revaluation** - adjustments for areas where the IFRS valuation techniques are not considered to be consistent with SII requirements

Group SII balance sheet

	Statutory accounts value £m	Reclassification £m	SII valuation adjustments £m	Solvency II value £m
Goodwill and intangible assets	792	(85)	(707)	-
Deferred tax assets	234	(9)	19	244
Pension benefit surplus	259	-	-	259
Property, plant & equipment held for own use	90	(20)	(20)	50
Investments (other than assets held for index-linked and unit-linked contracts)	11,599	537	(99)	12,037
<i>Property (other than for own use)</i>	310	-	-	310
<i>Holdings in related undertakings, including participations</i>	13	232	(99)	146
<i>Equities</i>	739	(348)	-	391
<i>Bonds</i>	10,470	(364)	-	10,106
<i>Collective Investments Undertakings</i>	-	657	-	657
<i>Derivatives</i>	67	-	-	67
<i>Deposits other than cash equivalents</i>	-	360	-	360
Loans and mortgages	249	(2)	-	247
Reinsurance recoverables	2,271	605	(722)	2,154
Insurance and reinsurance receivables	2,954	(12)	(2,612)	330
Receivables (trade, not insurance)	109	68	-	177
Cash and cash equivalents	788	(345)	-	443
Assets of operations classified as held for sale	639	(639)	-	-
Any other assets, not elsewhere shown	309	(178)	(34)	97
Total assets	20,293	(80)	(4,175)	16,038
Technical provisions	12,712	622	(2,115)	11,219
Provisions other than technical provisions	72	(1)	-	71
Pension benefit obligations	97	(27)	-	70
Deferred tax liabilities	79	-	(49)	30
Derivatives	110	-	-	110
Debts owed to credit institutions	119	-	-	119
Insurance and reinsurance payables	928	(2)	(814)	112
Payables (trade, not insurance)	383	(10)	10	383
Subordinated liabilities	441	-	19	460
Liabilities of operations classified as held for sale	636	(636)	-	-
Any other liabilities, not elsewhere shown	465	(26)	(8)	431
Total liabilities	16,042	(80)	(2,957)	13,005
Excess of assets over liabilities	4,251	-	(1,218)	3,033

D.1 Assets

D.1.1 Valuation of assets

The assets of the Group are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

This section describes, for each material class of assets, the bases, methods and main assumptions used in valuing those assets for SII purposes and an explanation of any material differences from the bases, methods and main assumptions used for valuing those assets in the Annual Report and Accounts.

Goodwill

SII Guidance	SII Reference	Valuation Methods and Assumptions
Goodwill should be valued at nil	DA Art 12(1)	Goodwill is reported as an asset in the IFRS balance sheet however should be valued at nil for SII reporting. Any goodwill reported for IFRS purposes is eliminated in the SII balance sheet, with corresponding adjustments to deferred taxes and non-controlling interests.

Deferred acquisition costs

SII Guidance	SII Reference	Valuation Methods and Assumptions
Acquisition costs relating to contracts in force at the balance sheet date which are carried forward from one reporting period to subsequent reporting periods, relating to the unexpired periods of risks. In relation to life business, acquisition costs are deferred when it is probable that they will be recovered.	Balance sheet QRT LOG (S.02.01)	Deferred acquisition costs reported are on the IFRS balance sheet and comprise the direct and indirect costs of obtaining and processing new insurance business, which are recognised as deferred acquisition costs and are deducted from the provision for unearned premiums. Deferred acquisition costs are fully eliminated in the SII balance sheet.
There are no deferred acquisition costs under SII as all acquisition costs not incurred by the reporting date are included in the calculation of technical provisions.		

Intangible assets

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>Intangible assets are ascribed a value only where they can be sold separately and the insurer can demonstrate that there are quoted prices in an active market for the same or similar assets, in which case the asset shall be valued in accordance with the valuation hierarchy.</p>	DA Art 12(2)	<p>There are a number of intangible assets recorded on the Group's IFRS balance sheet, including renewal rights, customer lists, brands, software development costs, intangible assets arising from acquired claims provisions and other acquired identifiable non-monetary assets without physical form. Intangible assets are amortised over their estimated useful lives and are subject to impairment test whenever indicators of impairment exist.</p> <p>The Group's intangible assets are not deemed to be capable of being sold separately and certainly do not have quoted prices on an active market (nor do such prices exist for similar assets); they are therefore valued at nil in the SII balance sheet, with corresponding adjustments to deferred taxes and non-controlling interests.</p>

Deferred tax assets and liabilities

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>Insurers should recognise and value deferred tax balances in relation to all assets and liabilities that are recognised for solvency or tax purposes.</p> <p>Deferred tax balances (other than in respect of the carry forward of unused tax credits and unused tax losses) shall be determined by reference to the SII balance sheet.</p> <p>Only a positive value shall be ascribed to deferred tax assets where it is probable that future taxable profits will lead to the realisation of that deferred tax asset. This assessment should take into account any time limits that apply to the carry forward of unused tax losses or credits.</p>	<p>DA Art 15</p> <p>GL Valuation (Final Report) – Table</p>	<p>The valuation method for deferred tax balances is the same under IFRS and SII. 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 on the SII balance sheet.</p> <p>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 in the IFRS balance sheet and so will not be accounted for in the SII balance sheet.</p> <p>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.</p> <p>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.</p>

EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that the measurement principles of IAS 12 (as applied to the temporary difference between SII values and the tax values) are consistent with SII's requirements. A corollary of this is that, consistent with IAS 12, deferred tax balances shall not be discounted.

In preparation of the SII balance sheet there are a number of adjustments to move from an IFRS to SII valuation basis. These adjustments are considered (other than deferred tax assets from carry-forward credits and losses) in assessing the temporary differences upon which the deferred taxes are derived. The key valuation adjustments which impact the estimates of deferred taxes for SII purposes are:

- elimination of goodwill and intangible assets
- adjustments to technical provisions valuation
- recognition of contingent liabilities
- revaluation of plant and equipment (for own use)

See Section D.1.2 for more information on deferred tax.

Pension benefit surplus and deficits

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>The requirements of IAS 19 are considered to be consistent with SII's requirements.</p> <p>In practice, IAS 19 requires pensions obligations to be calculated on a best estimate liability (with no risk margin) discounted at a corporate bond rate. This is likely to lead to a lower valuation than would result from applying a model based on the SII valuation principles for insurance liabilities (such as deferred annuities) which, under SII, would be discounted at a risk-free rate and would include a risk margin.</p>	<p>GL Valuation (Final Report) - Table</p>	<p>Pension schemes are treated in the same way under both IFRS and SII.</p> <p>Contributions to defined contribution pension schemes are charged in the period in which the employment services qualifying for the benefit are provided.</p> <p>The value of the net defined benefit liability/(asset) recognised in the SII balance sheet for each individual post retirement scheme is calculated as follows:</p> <ul style="list-style-type: none"> • The present value of defined benefit obligation of the scheme at the end of the reporting period • Less the fair value at the end of the reporting period of the scheme assets out of which the obligations are to be settled directly <p>The present value of defined benefit obligations and the present value of additional benefits accruing during the period are calculated using the projected unit credit method (see Section D.1.3 for further details).</p> <p>The calculation of the present value of accrued benefits includes an actuarial assumption of future interest rates, which is used to discount the expected ultimate cost of providing the benefits. The discount rate is determined at the end of each reporting period by reference to current market yields on high quality corporate</p>

SII Guidance	SII Reference	Valuation Methods and Assumptions
		<p>bonds identified to match the currency and estimated term of the obligations. For those individual schemes in deficit, the resulting net liabilities are recognised in provisions.</p> <p>For those individual schemes in surplus, an asset is recognised in the balance sheet to the extent that the Group can realise an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the scheme or when the scheme liabilities are settled.</p> <p>The amounts charged (or credited where relevant) relating to post retirement benefits in respect of defined benefit schemes are as follows:</p> <ul style="list-style-type: none"> • The current service cost • The past service costs and gains or losses on settlements • Net interest on the net defined benefit liability/(asset) • Administration costs of operating the pension schemes <p>Re-measurements of the net defined benefit liability/(asset) comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)). Actuarial gains and losses arise from changes to actuarial assumptions when revaluing future benefits and from actual experience in respect of scheme liabilities.</p>

Property, plant and equipment

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>Property, plant and equipment shall not be valued at cost less depreciation and impairment.</p> <p>EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that the revaluation model in IAS 16 should be applied (even where the alternative cost model is used for accounting purposes). This model requires that valuations shall be made 'with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value'.</p>	<p>GL Valuation (Final Report) - Table</p>	<p>Property and equipment comprise Group occupied land and buildings, fixtures, fittings and equipment (including computer hardware and motor vehicles). Group occupied property (land and buildings) is stated at fair value and other property and equipment is stated at depreciated cost for IFRS reporting.</p> <p>Group occupied property is valued on a fair value basis (as per IFRS reporting) on the SII balance sheet.</p> <p>For all other property and equipment, IFRS values are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.</p>

Property other than for own use

SII Guidance	SII Reference	Valuation Methods and Assumptions
EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that investment property should be valued using the fair value model in IAS 40 (even where the alternative cost model is used for accounting purposes).	GL Valuation (Final Report) - Table	<p>Investment property, comprising freehold and leasehold land and buildings is recorded at fair value for IFRS reporting and this basis is also used for the SII balance sheet.</p> <p>Investment properties are valued using discounted cash flow models which takes into account the net present value of cash flows to be generated from the properties. The cash flow streams reflect the current rent (the gross rent) payable to lease expiry, at which point it is assumed that each unit will be re-let at its estimated rental value.</p> <p>Allowances have been made for voids and rent free periods where applicable. The appropriate rent to be capitalised is selected on the basis of the location of the building, its quality, tenant credit quality and lease terms amongst other factors.</p> <p>These cash flows are discounted at an appropriate rate of interest to determine their present value.</p>

Participations and related undertakings (subsidiaries, associates and joint ventures)

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>Investments in related undertakings (subsidiaries, associates and joint ventures) shall be valued using the following hierarchy:</p> <ul style="list-style-type: none"> (i) Valued based on quoted prices in active markets where such prices are available. (ii) Where quoted prices in active markets are not available, valuation will be on an 'adjusted equity method' where the value of the investment is determined as the insurer's share of the related undertaking's net assets (based on SII valuation of underlying net assets or, for related undertakings other than insurers where this is not practicable, based on IFRS with the deduction of goodwill and intangibles that would be valued at nil under SII rules). (iii) For related undertakings other than subsidiaries, where quoted prices in active markets not available and where it is not possible to apply an adjusted equity method, an alternative valuation method (e.g. mark to model) may be used. <p>Investments in related undertakings that are either excluded from the scope of group supervision due to legal impediments in third countries on the transfer of information or otherwise deducted from group own funds due to the non-availability of the necessary information shall be valued at nil.</p>	<p>DA Art 13</p> <p>DA Art 335</p>	<p>A "participation" is a SII term for a holding (direct or indirect) of at least 20% of the voting rights or capital of another undertaking. It can therefore be a subsidiary, an associate or a joint venture. Included here are investments in the debt issued by subsidiaries (although this is not applicable to the entities in the Group), as well as equity investments.</p> <p>Solo balance sheet</p> <p>Investments in directly owned subsidiaries and associates are accounted for as available for sale financial assets for IFRS reporting, which are valued at fair value.</p> <p>For SII reporting, investments in participations that do not have quoted market prices (none of them are quoted) are valued using the "adjusted equity method", i.e. as a share of that participation's excess of assets over liabilities, as valued under SII rules (especially if an insurer). This means that the balance sheet of that participation needs to be adjusted to SII rules before the share of net assets in the investment may be valued. If the participation is not an insurance or reinsurance company, the same method as above is to be adopted or, if that is not possible, the equity method in IFRS (with any goodwill and inadmissible intangible assets valued at nil) may be adopted instead. This applies irrespective of whether the participation is in a net assets or net liability position.</p> <p>Group balance sheet</p> <p>In the Group balance sheet, investments in participations that are either non-controlled insurance or reinsurance companies, or neither insurance/reinsurance companies nor insurance holding companies, are valued using the adjusted equity method, after elimination of intra-group transactions. If the participation is not an insurance or reinsurance company, the same method as above is to be adopted or, if that is not possible, the equity method in IFRS (with any goodwill and inadmissible intangible assets valued at nil) may be adopted instead. This applies irrespective of whether the participation is in a net assets or net liability position.</p>

Financial assets

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>Financial assets shall not be valued at cost or amortised cost.</p> <p>EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that all financial assets shall be measured at fair value. Whilst reinsurance recoverables in respect of unsettled claims are subject to the rules regarding technical provisions, payments due in relation to settled insurance claims should not be measured under those rules and so would fall to be treated as financial assets. Only future premiums which fall due after the valuation date are subject to the rules regarding technical provisions; therefore any premium debts due would fall to be treated as financial assets although EIOPA has previously indicated that the risk of non-payment by the policyholder can be ignored if that will result in waiving the insurance cover.</p>	<p>DA Art 10</p> <p>DA Art 16</p> <p>Balance sheet QRT LOG (S.02.01)</p>	<p>Financial assets are valued at fair value for both IFRS and SII balance sheet valuation purposes. The methods and assumptions used by the Group in estimating the fair value of financial assets are:</p> <ul style="list-style-type: none"> • Bonds: fair values are generally based upon quoted market prices. Where market prices are not readily available, fair values are estimated using either values obtained from quoted market prices of comparable securities or estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. For SII reporting accrued interest is added to the relevant instruments and reclassified into the various SII balance sheet categories. • Equity securities: fair values are based upon quoted market prices. For SII reporting the equity securities are reclassified into the various SII balance sheet categories. • Derivatives: fair values are generally based upon quoted market prices. Positive values are reported as assets and negative values reported as liabilities in the SII balance sheet. • Collective investment schemes: quoted market prices are used where available; else, funds are valued using data from third-party administrators or, in the case of loan funds, fund manager data. All funds are reviewed regularly for signs of underlying impairment. As such, it is considered that all values approximate to fair values. • Cash and deposits, loans and mortgages, receivables and other assets: carrying amounts approximate to fair values as these are generally short term balances. For SII reporting, except for cash in hand, accrued interest is added to the relevant instruments and balances are reclassified into the various categories as per SII definitions. For prepayments, the approach is to start with the IFRS balance and make adjustments to derecognise any prepaid expenses that cannot be converted into cash. Premium debtors and recoveries falling due for payment after the balance sheet date are reclassified from receivables to technical provisions if within the contract boundary; else removed entirely. See Section D.2 for more details

Reinsurance recoverables

The sub-categories in the SII balance sheet of reinsurers' share of technical provisions mirror those of the gross balances and the same mapping of SII lines of business is to be used. See Section D.2 for more details.

D.1.2 Analysis of deferred tax

An analysis of deferred tax is detailed below:

	Asset £m	Liability £m
Deferred tax assets/liabilities	244	30

The following are the major deferred tax assets and liabilities recognised by the Group:

	£m
Net unrealised gains on investments	(34)
Intangibles capitalised	6
Tax losses and unused tax credits	74
Accrued costs deductible when settled	87
Retirement benefit obligations	13
Capital allowances	80
Provisions and other temporary differences	10
Technical provisions	(22)
Net deferred tax position at 31 December	214

At the end of the reporting period, the Group's continuing operations have unused tax losses of £2,552m for which no deferred tax asset is being recognised. The Group's unused tax losses are predominantly located in the UK and Ireland. The Group's unused losses include capital losses of £1,195m; almost all of which relate to the UK. No deferred tax asset is recognised for these losses as it is not considered probable that they will be utilised in the future, as most UK capital gains are exempt from tax. None of the Group's unused tax losses are subject to expiry. In addition, the Group has deductible temporary differences of £739m for which no deferred tax has been recognised; predominantly relating to technical provisions.

Deferred tax in Sweden is based on a rate of 20.6%, compared with a rate of 22% as at 31 December 2017. This change in rate reduced the value of the Group's net deferred tax assets as at 1 January 2018 by £0.1m.

Within the net deferred tax assets of £214m, net deferred tax assets of £203m arise in tax jurisdictions in which the Group has suffered a loss in either the current or preceding period. Of these net deferred tax assets, £nil relate to deferred tax assets recognised on actual tax losses suffered in the period.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a seven year forecast based on the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge, including by the Board. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continue to be supportable.

The majority of the deferred tax asset recognised based on future profits is that in respect of the UK. The value of the deferred tax asset is sensitive to assumptions in respect of UK future profits. Sensitivity analysis includes a 1% increase in the UK combined operating ratio for all of the 7 years in the forecast period, the impact of which would reduce the UK net deferred tax asset by £17m. The analysis also includes a one year change in the projection period, the impact of which is a change in the UK net deferred tax asset of £23m. The relationship between the net deferred tax asset and these sensitivities is not always linear. Therefore, the cumulative impact on the net deferred tax asset of combined sensitivities or longer extrapolations based on the above numbers will be indicative only.

The procedure for providing SII deferred tax figures for the Group utilises a walkthrough bridge from the figures reported on an IFRS basis in the Group Annual Report & Accounts. A tax analysis is performed of valuation adjustments made to the statutory accounts balances to arrive at the SII balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and SII guidance.

D.1.3 Estimation techniques, risks, and uncertainties relating to assets and liabilities

The preparation of the SII balance sheet requires the Group and its regulated entities to exercise judgements in the use of estimates and assumptions in a number of key areas. The most significant of these are as follows:

Recognition and valuation of deferred tax assets

Refer to section D.1.2 for a description of how deferred tax assets are recognised and valued.

Pension scheme surplus and deficits

Independent actuaries calculate the value of the defined benefit obligations for the larger schemes by applying the projected unit credit method. The future expected cash outflows (calculated based on assumptions that include inflation and mortality) are discounted to present value, using a discount rate determined at the end of each reporting period by reference to current market yields on high quality corporate bonds (AA rated) identified to match the currency and estimated term of the obligations.

The actuarial valuation involves making assumptions about discount rates, future salary increases, future inflation, the employees' age upon termination and retirement, mortality rates, future pension increases, disability incidence and health and dental care cost trends.

If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years. Due to the complexity of the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in the assumptions. Assumptions are reviewed at each reporting date. As such, the valuation of the liability is highly sensitive to changes in bond rates and will also be impacted by changes in equity markets.

Financial assets and liabilities

Fair value is used to value a number of assets and represents market value at the reporting date.

Cash and cash equivalents, deposits, loans and receivables

For cash, loans and receivables, commercial paper, other assets, liabilities and accruals, their carrying amounts are considered to be as approximate fair values on the basis that these are short term assets.

Property held for own use and investment property

Property held for own use is valued on a vacant possession basis using third-party valuers. Investment properties are valued, at least annually, at their highest and best use.

The fair value of property has been determined by external, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuations of buildings with vacant possession are based on the comparative method of valuation with reference to sales of other vacant buildings. Fair value is then determined based on the locational qualities and physical building characteristics (principally condition, size, specification and layout) as appropriate.

Investment properties are valued using discounted cash flow models which take into account the net present value of cash flows to be generated from the properties. The cash flow streams reflect the current rent (the gross rent) payable to lease expiry, at which point it is assumed that each unit will be re-let at its estimated rental value. Allowances have been made for voids and rent free periods where applicable. The appropriate rent to be capitalised is selected on the basis of the location of the building, its quality, tenant credit quality and lease terms amongst other factors.

These cash flows are discounted at an appropriate rate of interest to determine their present value.

In both cases the estimated fair value would increase/(decrease) if:

- The estimated rental value is higher/(lower)
- Void periods were shorter/(longer)
- The occupancy rate were higher/(lower)
- Rent free periods were shorter/(longer)
- The discount rates were lower/(higher)

Derivative financial instruments

Derivative financial instruments are financial contracts whose fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices.

Subordinated debt

The fair value measurement of the Group's loan capital instruments, with the exception of the subordinated guaranteed US\$ bonds, are based on pricing obtained from a range of financial intermediaries who base their valuations on recent transactions of the Group's loan capital instruments and other observable market inputs such as applicable risk free rate and appropriate credit risk spreads.

The fair value measurement of the subordinated guaranteed US\$ bonds is also obtained from an indicative valuation based on the applicable risk free rate and appropriate credit risk spread.

D.1.4 Group and subsidiary valuation differences

There is no material difference between the bases, methods and main assumptions used at Group level for the valuation for solvency purposes of the Group's assets and those used by any of its subsidiaries for the valuation for solvency purposes of its assets.

D.2 Technical provisions

D.2.1 Valuation and comparison of IFRS to SII

Technical provisions are valued using the methods and assumptions described in Section D.2.2.

The main differences between SII technical provisions and the IFRS equivalent are:

- Inclusion of a margin above best estimate in IFRS. SII technical provisions include a risk margin calculated on a different basis
- Differences in discounting. In SII all technical provision cash flows are discounted using the EIOPA yield curve. In IFRS only some lines of business are discounted and these are discounted using a different discount rate
- Inclusion of an allowance for Events Not In Data (ENIDs) in SII, covering estimates of low frequency events that are not captured in historical data sets
- SII technical provisions are net of future premium cash flows where premium income due in the future is covered within the bound contract terms and conditions
- For future exposures, SII considers only the best estimate of liability cash flows and not an unearned premium reserve (as is covered in IFRS). As a result, profit relating to future exposures (after allowance for ENIDs) will come through as a difference in the liability valuation
- Within SII, an allowance for reinsurer default is calculated, this is relatively small for most RSA entities, however, some entities are fully reinsured within the Group and as such this allowance for default contributes materially to the net technical provisions

The following table quantifies the differences in the SII net technical provisions and the equivalent IFRS provisions (net of deferred acquisition costs) for each material SII line of business. The table is followed by notes explaining how the different valuation approaches set out above contribute to the differences observed for each line of business.

		SII Net Technical Provisions		Statutory	
		Best Estimate	Risk Margin	Accounts Value	Difference
		£m	£m	£m	£m
	Medical Expense	55	5	177	(117)
	Income Protection	908	66	1,029	(55)
Direct Business and Accepted	Workers Compensation	262	20	294	(12)
Proportional Reinsurance	Motor Vehicle Liability	2,451	164	3,203	(588)
	Other Motor	105	19	302	(178)
	Marine, Aviation and Transport	321	11	428	(96)
	Fire and Other Damage to Property	1,831	90	2,380	(459)
	General Liability	1,622	119	1,786	(45)
Other Non-Life Direct and Accepted Reinsurance Lines		79	11	116	(26)
Life & Health Insurance Lines (including Annuities Stemming from Non-Life)		818	108	726	200
Total		8,452	613	10,441	(1,376)

Notes

- (1) Allowance for future premium within SII Technical Provisions is a significant difference impacting multiple lines of business. These are Medical Expenses, Income Protection, Motor Vehicle Liability, Other Motor, Marine Aviation & Transport, Fire & Other Damage to Property and General Liability.
- (2) Profit tied up in UPR under IFRS is released in SII. This applies for most classes.
- (3) Risk Margin held under SII is higher than the margin in the Outstanding Claims Provisions under IFRS.
- (4) Discounting is used throughout SII reducing the SII Technical Provisions for most classes compared to the statutory accounts value. For annuities arising from non-life business, the discount rate used in SII is lower than that used in IFRS in calculating the best estimate.

D.2.2 Basis of preparation of technical provisions

Under SII, the technical provisions are made up of:

$$\text{Claims provision} + \text{Premium provision} + \text{Risk margin}$$

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to claim events prior to the valuation date.

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) relating to future exposure arising from policies that the Group has written, or bound but not incepted, at the valuation date.

The risk margin is calculated as per the SII directive as the cost of capital required to hold future SCRs over the life of the technical provisions as they run off.

The valuation of the best estimate for claims provisions and for premium provisions are carried out separately. Claims and premium provisions are calculated both gross of outwards reinsurance and for outwards reinsurance. The risk margin is only calculated net of reinsurance.

D.2.2.1 Bases, methods and assumptions used for valuation

The claims provision comprises the estimated cost of claims incurred but not paid at the end of the reporting period. The provisions are calculated by valuing future cash flows including claims payments, related expenses, salvage and subrogation recoveries and reinsurance transactions. The provision is determined using the best information available of claims settlement patterns, forecast inflation and estimated claims settlement amounts.

Future claims cash flows include an allowance for Events Not in Data (ENIDs).

The premium provision comprises estimated cost of future claims and associated expenses for unearned business on a best estimate basis, offset by future premiums due. The cash flows also include profit commissions and the costs of policy administration.

All expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses are taken into account. This share is assessed on the basis that the Group continues to write new business. The expense provision includes items such as investment expenses that would not be covered under the IFRS basis.

Future claims cash flows are generally determined by considering how past claims payments have materialised, with separate explicit cash flows determined for gross of reinsurance and net of reinsurance. The provisions for claims relating to annuities arising from general insurance business in the UK and Scandinavia are also determined using recognised actuarial methods.

Cash flows are discounted for the time value of money using yield curves prescribed by EIOPA.

The risk margin is calculated by determining the present value of the cost of holding the SCR necessary to support the company's insurance obligations over their lifetime. This approach is intended to reflect the costs incurred by a notional (re)insurer, the Reference Undertaking, of holding the capital to accept a transfer of liabilities.

D.2.2.2 Significant simplified methods

For the premium provision, under the legal obligation basis of SII, all existing bound contracts are to be valued, whether the contracts have incepted or not. This includes future premium and claims cash flows for policies not yet incepted by the valuation date, but already forming part of contractual obligations (Bound But Not Incepted business). The Group does not value bound but unincepted contracts unless onerous or material.

For the risk margin, the future SCRs of the Reference Undertaking are estimated by considering the remaining claims at each future valuation date. As claims run off, a higher proportion of long tail, e.g. liability, claims remain which require a proportionally higher level of capital to support them. The method used reflects the proportionally increasing levels of capital required in the future.

D.2.3 Uncertainties and contingencies

There is an inherent uncertainty in estimating claims provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. In particular, the estimation of the provisions for the ultimate costs of claims for asbestos and environmental pollution is subject to a range of uncertainties that is generally greater than those encountered for other classes of business due to the slow emergence and longer settlement period for these claims.

Other uncertainties include the possibility of future legislative change having retrospective effect on open claims; changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim, such as disease claims, emerging from business written several years ago; general uncertainty in the claims environment; the emergence of latent exposures such as asbestos; the outcome of litigation on claims received; failure to recover reinsurance and unanticipated changes in claims inflation .

There is also increased uncertainty in premium provisions as ultimate claims costs need to be estimated for future events. The ultimate level of future claims costs are partially mitigated by reinsurance.

D.2.4 Use of adjustments and transitionals

In valuing the Group's technical provisions, none of the following have been applied:

- the Matching Adjustment referred to in Article 77b of Directive 2009/138/EC
- the Volatility Adjustment referred to in Article 77d of Directive 2009/138/EC
- the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC
- the transitional deduction referred to in Article 308d of Directive 2009/138/EC

D.2.5 Recoverables from reinsurance contracts and SPVs

The Group enters into reinsurance contracts, mostly excess of loss protection for individual risks or from claims following catastrophe events. The Group also reinsures some business on a quota share basis. At any balance sheet date the Group will expect to recover under these treaties. See Section C.1.6 (Underwriting Risk – Risk Mitigation) for further details of the Group's reinsurance contracts and the Group SII Balance Sheet (Section D) for the reinsurance recoverables amounts.

D.2.6 Changes in assumptions

The Group routinely adjusts the assumptions underlying the calculation of technical provisions in light of emerging trends in the data. Many of these assumptions only have minor impacts on the level of technical provisions reported.

There were no material changes to assumptions in 2018.

D.2.7 Group and subsidiary valuation differences

There are no material differences between the technical provisions held for the Group and those held for the equivalent liabilities in its subsidiaries.

D.3 Other liabilities

D.3.1. Valuation of other liabilities

The liabilities of the Group are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provision.

This section describes, for each material class of liabilities (other than technical provisions), the bases, methods and main assumptions used in valuing those liabilities for SII purposes and an explanation of any material differences from the bases, methods and main assumptions used for valuing those liabilities in the Annual Report and Accounts.

See Section D. for an overview.

Financial liabilities

SII Guidance	SII Reference	Valuation Methods and Assumptions
Insurance and reinsurance undertakings shall value financial liabilities, as referred to in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002, in accordance with Article 9 of this Regulation upon initial recognition. There shall be no subsequent adjustment to take account of the change in own credit standing of the insurance or reinsurance undertaking after initial recognition	DA Art 14(1)	<p>Financial liabilities are valued at fair value for both IFRS and SII balance sheet valuation purposes. The methods and assumptions used by the Group in estimating the fair value of financial liabilities are:</p> <ul style="list-style-type: none"> • Debts owed to credit institutions and subordinated debt: fair values are determined by reference to recent market transactions or other observable market inputs. • For borrowings that carry a variable rate of interest (other than subordinated debt), carrying values approximate to fair values. • Other liabilities and accruals: carrying amounts approximate to fair values as they are short term liabilities. <p>Upon subsequent measurement of financial liabilities, any changes in own credit risk are not reflected in the fair value.</p> <p>Under IFRS, debtors and payables relating to future premiums are included within insurance and reinsurance debtors and payables; however, under SII future premiums are included within SII technical provisions as future cash flows.</p> <p>As per the principle of correspondence, the only insurance business to be recognised as ceded is bound business, i.e. business recognised within gross technical provisions. Reinsurance payables are adjusted for amounts that do not meet this criterion, unless the cost is sunk, in which case it must be recognised in full.</p>

See Section D.1.3 for details of the fair valuation of subordinated debt.

Contingent liabilities

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>Insurers should recognise all material contingencies as liabilities. Contingent liabilities are material if information about the current or potential size or nature of those liabilities could influence the decision-making or judgement of the intended user of that information (including supervisors).</p> <p>Such liabilities should be valued at the expected present value of future cash flows required to settle the contingent liability, discounted at the basic risk-free interest rate term structure.</p>	<p>DA Art 11</p> <p>DA Art 14(2)</p>	<p>Material contingent liabilities are recorded on the SII balance sheet and are valued at the expected present value of future cash flows to settle the obligation liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure. This basically means multiplying a possible outcome by its probability and discounting the result using the risk-free interest rate.</p> <p>This applies to non-insurance risks only, as insurance risks are already captured by the best estimate component of technical provisions.</p> <p>Contingent liabilities acquired in a business combination are valued on a basis consistent with that used for IFRS reporting.</p>

Provisions other than technical provisions

SII Guidance	SII Reference	Valuation Methods and Assumptions
<p>EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that, in accordance with the principles in IAS 37, provisions are recognised where there is a present obligation as a result of a past event which will probably give rise to an outflow of resources and which can be measured reliably. Provisions are valued at a best estimate of the expenditure required to settle the present obligation at the balance sheet date.</p>	<p>DA Art 9</p> <p>GL Valuation (Final Report) - Table</p>	<p>Provisions are valued in the same way under both IFRS and SII.</p> <p>Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.</p>

Deferred tax liabilities

See:

- Section D.1.3 for details of estimation techniques, risks, and uncertainties relating to assets and liabilities
- Section D.1.1 for an explanation of the bases, methods and assumptions used for the valuation of deferred tax assets and liabilities
- Section D.1.2 for deferred tax analysis

Liabilities held for sale

See Section D.1.1.

D.3.2 Liabilities for employee benefits including defined benefit plan assets

Defined benefit pension schemes and other post-retirement benefits

The major defined benefit pension schemes are located in the UK. The assets of these schemes are mainly held in separate trustee administered funds. The UK defined benefit schemes were effectively closed to new entrants in 2002 and subsequently closed to future accruals with effect from 31 March 2017. UK schemes in surplus have been reduced for the tax cost of an authorised return of surplus, classified as 'Other net surplus remeasurements'. The Group's judgement is that the authorised refund tax charge is not an income tax within the meaning of IAS12 and so the surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

The Group also operates defined benefit schemes in other countries. The most significant of these schemes are in Canada and Ireland.

The Group provides post-retirement healthcare benefits to certain current and retired Canadian employees. The benefits are not prefunded. Life insurance benefits, which provide varying levels of coverage, are provided at no cost to retirees. Healthcare benefits, which also provide varying levels of coverage, require retiree contributions in certain instances and benefits are generally payable for life.

The value of all scheme assets and all scheme obligations are as follows:

	UK £m	Other £m	Total £m
Present value of funded obligations	(7,474)	(401)	(7,875)
Present value of unfunded obligations	(7)	(92)	(99)
Present value of obligations	(7,481)	(493)	(7,974)
Equities	552	96	648
Government debt	5,353	163	5,516
Non government debt	2,425	133	2,558
Derivatives	719	-	719
Property	644	-	644
Cash	194	6	200
Other (including infrastructure, commodities, hedge funds, loans)	460	26	486
Investments	10,347	424	10,771
Value of asset and longevity swaps	(2,506)	-	(2,506)
Total assets in the schemes	7,841	424	8,265
Other net surplus remeasurements	(129)	-	(129)
Total surplus/(deficit)	231	(69)	162
Defined benefit pension schemes	231	(21)	210
Other post retirement benefits	-	(48)	(48)
Schemes in surplus	238	21	259
Schemes in deficit	(7)	(90)	(97)

Exposure shown in the previous table is of the UK and Other pension schemes and not the geographical disposition of the underlying investments.

The UK pension schemes do not hold any of the Group's own transferable financial instruments as plan assets, and no property held by the schemes is occupied by the Group.

D.3.3 Lease liabilities

See Section A.4.2 for information on leases. No adjustments have been made to the IFRS valuation of lease liabilities.

D.3.4 Group and subsidiary valuation differences

There is no material difference between the bases, methods and main assumptions used at Group level for the valuation for solvency purposes of the Group's other liabilities and those used by any of its subsidiaries for the valuation for solvency purposes of its other liabilities.

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include property, certain debt and equity securities, collective investment schemes, derivatives and subordinated debt.

Most of these instruments are given this classification because the markets on which they trade are not considered to be sufficiently active to qualify as active for the purpose of this disclosure. Despite this, the valuation of these assets is still based on quoted prices available from an exchange, dealer, broker, pricing service or other third party and as such these prices are considered reliable indicators of the fair value of the instruments.

Instruments disclosed as valued under alternative valuation methods for which quoted market prices are not available are valued using observable inputs as far as possible. These instruments are generally illiquid and include property and illiquid credit instruments. As such they are rarely traded, but experience from disposals when they do occur suggests that the valuation methods used are reasonably reliable in estimating the fair value of the instruments.

There is no difference between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for IFRS reporting. See section D.1.3 for a description of the valuation techniques used and how they are assessed.

See Note 26 of the Group Annual Report and Accounts for further details of the valuation methods and assumptions used when valuing such instruments.

D.5 Any other information

D.5.1 Group consolidation scope and method

There are no material differences between the scope of the Group for the consolidated Annual Report and Accounts and the scope for the consolidated data determined in accordance with Article 335 of the DA.

Method 1 (the accounting consolidation method) has been adopted.

All material transactions between entities in the scope of the Group (as per QRT S.32.01.22 in Appendix 8) have been eliminated upon Group consolidation.

E. Capital Management

This section of the report describes how the Group manages own funds in terms of:

- Information on the objectives, policies and processes employed by the Group for managing its own funds
- The amount of the Group's SCR and MSCR including any non-compliance with those measures
- The scope of the Internal Model used by the Group for its SCR calculation

Section E.1 is subject to external audit. However, the SCR, SCR Surplus and SCR Coverage numbers in the tables in Section E.1 are excluded from the scope of external audit, as these numbers are derived from the Solvency Capital Requirement calculation. See Appendix 6 for further details of the scope of the external audit.

E.1 Own funds

E.1.1 Objectives, policies, processes and material changes

RSA Capital management - Policies and processes for managing own funds

The primary objective of the Capital management function is to ensure that the business has sufficient capital to meet its obligations. This is achieved by optimising the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with risk appetite.

The Capital Management function's role and responsibility is to govern, monitor and oversee capital resources across the Group ensuring that these are within the risk appetite of the Group and meet appropriate regulatory/accounting rules and guidelines. This includes the calculation, estimation and forecasting of capital resources and capital requirements such as SII available and eligible own funds.

The Group manages capital and solvency through a governance framework including methodology validation, monitoring and reporting processes, in support of the Group ORSA process.

Business planning

RSA operates a three-year time horizon for business planning. Plans are reviewed and debated at executive level and approved by the Board.

Material changes over the reporting period

No material changes to the objectives, policies or processes for managing own funds were made over the period.

E.1.1.1 Method used for calculating Group Solvency

RSA adopts the accounting consolidation method (method 1) to calculate Group Solvency.

Group supervision is at the level of RSA Insurance Group plc ("the Group"). No subgroup reporting is performed as full group supervision is expected to be at the ultimate EEA parent level.

S.25.03 in Appendix 8 summarises the Group SCR by constituent, as derived using method 1.

E.1.2 Structure, amount and quality of own funds

Classification and eligibility of capital

RSA's own funds are classified per SII requirements as follows:

Solvency II Tier	Capital Item
Tier 1	Paid in ordinary share capital, and the related share premium Reconciliation reserve
Tier 1 Restricted	Paid in preference shares, and the related share premium account Paid in subordinated liabilities that exhibit characteristics listed in Article 71 of Commission Delegated Regulation (EU) 2015/35 ("the Delegated Act") supplementing Directive 2009/138/EC, approved for classification as Tier 1 own funds in accordance with Article 79 of the Delegated Act
Tier 2	Subordinated liabilities that exhibit characteristics listed in Article 73 of the Delegated Act
Tier 3	Net deferred tax assets

For SII purposes, subordinated debt is valued without taking into account changes to the issuer's own credit standing (i.e. the SII value) and classified into prescribed tiers of capital.

Preference shares classified as Upper Tier 2 for Solvency I purposes satisfy the requirements of GENPRU 2 Annex I and the provisions of 2.2.159 R to 2.2.181 R of GENPRU and are classified as Tier 1 Restricted under SII.

Subordinated guaranteed perpetual bonds ("the 2014 debt instrument") and subordinated guaranteed dated notes ("the 2009 debt instrument") classified as Lower Tier 2 for Solvency I purposes satisfy the requirements of rules 2.2.159 R (1) to (7) and (9) of GENPRU and are classified as Tier 2 instruments under SII.

Tier 1 own funds includes the SII reconciliation reserve, the key elements of which are as follows:

- Excess of assets over liabilities as presented in the SII balance sheet
- A deduction for foreseeable dividends and distributions in relation to 2018 final payment
- A deduction for amounts already included in basic own funds, including ordinary share capital, share premium account and minority interests

Further information in relation to the derivation of the Group's consolidated own funds is provided in section D.5.1.

Capital composition

The Group's capital structure by tier as at 31 December 2018 is as per the table below.

		2018 £m	2017 £m
Tier 1 Unrestricted	Equity capital (including Share Premium)	2,114	2,106
	Reconciliation reserve	(250)	(341)
		1,864	1,765
Tier 1 Restricted	Preference shares	125	125
	Restricted Tier 1 notes	297	297
		422	422
Tier 2	2014 debt instrument	411	455
	2009 debt instrument	40	44
		451	498
Tier 3	Net deferred tax assets	219	246
Total Available Own Funds		2,956	2,932

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to revaluations in Tier 2 subordinated debt and changes in deductions for foreseeable dividends, distributions and charges. No other significant changes in own funds were noted over the year.

E.1.3 Eligible own funds to cover the SCR

Basic own funds to eligible own funds

SII requires that basic own funds are first considered against availability rules, and then subjected to eligibility criteria based on both the SCR and capital structure. Eligible own funds are considered available to cover the SCR. A basic own funds to eligible own funds reconciliation for the Group is shown below:

	Basic Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	2,011	(147)	1,864	-	1,864		
Tier 1 (R)	422	-	422	-	422	466	20% of total Tier 1
Tier 2	451	-	451	-	451	872	Tier 2 + Tier 3 up to
Tier 3	244	(25)	219	-	219		50% of SCR
Total	3,128	(172)	2,956	-	2,956		
				SCR	1,743		
				Surplus	1,213		
				SCR Coverage	170%		

Total available own funds to meet the SCR

Under SII availability provisions, capital in one entity which is deemed not wholly available to the wider Group can be included up to that entity's share of the Group SCR, where the entity in question is a related insurance or reinsurance undertaking, third-country insurance or reinsurance undertaking, insurance holding company or mixed financial holding company. The effect of this requirement is that it is necessary to restrict funds representing:

- **Minority interests** - except to the extent that those funds back the minority interest's share of the Group SCR, the excluded amount being £148m
- **Deferred tax assets** - except to the extent that they back an entity's share of the Group SCR, the excluded amount being £25m

Total eligible own funds to meet the SCR

The Delegated Act requires that limits are imposed upon the eligible amounts of Restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the SCR:

- Eligible Tier 1 items shall be at least 50% of the SCR
- Eligible Tier 3 items shall be no more than 15% of the SCR
- The sum of eligible Tier 2 and eligible Tier 3 items shall be no more than 50% of the SCR
- The sum of paid in preference shares (and the related share premium account) and paid in subordinated liabilities classified as Tier 1 shall represent no more than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2

E.1.4 Eligible own funds to cover the MSCR

SII requires that basic own funds are first considered against availability rules, and then subjected to eligibility criteria based on both the MSCR and capital structure. Eligible own funds are considered available to cover the MSCR. A basic own funds to eligible own funds reconciliation for the Group is shown below:

	Basic Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	2,011	(147)	1,864	-	1,864		
Tier 1 (R)	422	-	422	-	422	466	20% of total Tier 1
Tier 2	451	-	451	(191)	260	260	Tier 2 up to 20% of MSCR
Tier 3	244	(25)	219	(219)	-		Ineligible
Total	3,128	(172)	2,956	(410)	2,546		
				MSCR	1,301		
				Surplus	1,245		
				SCR Coverage	196%		

Refer to E.2.7 for further information.

Total available own funds to meet the MSCR

As described in section E.1.3 above.

Total eligible own funds to meet the MSCR

The Delegated Act requires that limits are imposed upon the eligible amounts of Restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the MSCR and solo entity MCR:

- Eligible Tier 1 items shall be at least 80% of the MSCR/MCR
- Eligible Tier 2 items shall be no more than 20% of the MSCR/MCR
- The sum of paid in preference shares (and the related share premium account) and paid in subordinated liabilities classified as Tier 1 shall represent no more than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2
- Tier 3 items are ineligible to cover the MSCR/MCR

E.1.5 Differences between equity and net assets

Section D includes details of the adjustments made to IFRS capital in deriving SII excess of assets over liabilities. The below table shows the calculation of SII basic own funds:

	£m
Excess of assets over liabilities (see Section D)	3,033
Own shares (held directly and indirectly)	(1)
Foreseeable dividends, distributions and charges	(330)
Other non-available own funds items	(25)
	2,677
Subordinated debt	451
SII Basic Own Funds	3,128

Foreseeable dividends, distributions and charges

An adjustment is made for “reasonably foreseeable” dividends (i.e. expected dividend payments arising from the 2018 financial year). At the 2018 year end, a final dividend of £141m is to be proposed at the Annual General Meeting and so is deducted in arriving at Group basic own funds.

Other deductions made in arriving at Group basic own funds total £189m.

Other non-available own funds items

Similar to the availability adjustment made to deferred tax assets described in section E.1.3, deferred tax assets in an entity that is not a related insurance or reinsurance undertaking, third-country insurance or reinsurance undertaking, insurance holding company or mixed financial holding company are required to be deducted from the reconciliation reserve, the excluded amount being £25m.

E.1.6 Transitional arrangements

RSA makes use of transitional arrangements for debt instruments issued prior to SII implementation. Basic own funds items in issue at 18 January 2015 that satisfied the requirements to be treated as capital resources under the Solvency I Directive are eligible for classification as Tier 1 Restricted or Tier 2 basic own funds for a period of 10 years from 18 January 2015, being the date of entry into force of the Delegated Act.

The table below describes the nature of each of the Group's debt instruments subject to transitional arrangements:

	Preference shares	2009 debt instrument
Issuer	The Group	The Group
Guarantor	N/A	RSAI
Date issued	13/10/1993	20/05/2009
Maturity	Irredeemable	20/05/2039
First call	N/A	20/05/2019
Amount at issue	£125,000,000	£500,000,000
Current outstanding	£125,000,000	£39,340,000
Currency	GBP	GBP
Coupon	7.375%	9.375%
Frequency	Semi-annual	Annual
Call frequency	N/A	Every 5 years
Reset date	N/A	20/05/2019
Reset rate	N/A	8.475% plus benchmark Gilt yield
Solvency II Tier	Restricted Tier 1	Tier 2

E.1.7 Ancillary own funds

Two ancillary own funds (AOF) items exist within the Group.

During 2016, an AOF structure was approved for RSAI Ireland by the Central Bank of Ireland (CBI) permitting a maximum of €90m of nil-paid uncalled share capital. The structure was reapproved by the CBI during 2018. The AOF counts as Tier 2 capital in RSAI Ireland's Solo solvency calculations only, subject to eligibility rules, however, it does not count towards covering the latter entity's MCR. The AOF item is not considered for Group solvency purposes.

During 2018, an additional AOF structure was approved for RSA Luxembourg by the Commissariat aux Assurances (CAA) permitting a maximum of €35m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in RSA Luxembourg's Solo solvency calculations only, subject to eligibility rules, however, it does not count towards covering the latter entity's MCR. The AOF item is not considered for Group solvency purposes.

E.1.8 Deductions and restrictions

See sections E1.3 and E1.4 for a description of the nature and amount of restrictions on own funds.

E.1.9 Group fungibility and transferability

Availability of Group capital to meet SII Group SCR

Under SII, as part of their assessment of group solvency, groups must make an assessment of whether any of their entities are reliant upon capital held in another entity to cover their capital requirements. Where this is the case it must assess whether the capital in the other entity could in practice be made available.

Other than the restrictions described in sections E.1.3 and E.1.4, the Group deems its capital to be fully fungible and there to be no restriction at a Group level.

In such circumstances where capital is needed from a subsidiary to support a legal entity elsewhere in the Group, it will be repatriated in the form of dividends and where this is not practicable, a sale of the subsidiary will be considered.

E.2 Solvency capital requirement and minimum Group consolidated capital requirement

E.2.1 SCR and MSCR

At 31 December 2018 the Group's SCR was £1,743m and the MSCR was £1,301m.

E.2.2 SCR split by risk

The Group's internal model received approval for use from the PRA on 5 December 2015. An analysis of the internal model SCRs of the Group and the UK regulated entities by risk category is provided in QRT S.25.03 in Appendix 8.

E.2.3 Standard formula simplifications

Standard formula simplifications are not applicable as an internal model is used.

E.2.4 Standard formula undertaking specific parameters

Standard formula undertaking specific parameters are not applicable as an internal model is used.

E.2.5 Capital add-on and undertaking specific parameters non-disclosure

No capital add-ons were in place during the reporting period. Undertaking specific parameters are not applicable as an internal model is used.

E.2.6 Capital add-on and undertaking specific parameters impact

No capital add-ons were in place during the reporting period. Undertaking specific parameters are not applicable as an internal model is used.

E.2.7 MSCR calculation inputs

See section E.2.11 for the composition of this measure.

E.2.8 Movements in the SCR and MSCR

Movements in the SCR

The Group SCR has reduced by c£60m over the year. This is primarily due to changes in the opening balance sheet (in particular the improved IAS 19 position which results in a lower pension risk charge) and market movements including higher assumed asset returns. The net impact of the annual update process, which includes updates for the new business plan and calibration of risk, is broadly neutral.

Movements in the MSCR

Section E.2.11 summarises the MSCR by Group entity. Material movements in the MSCR during the period are:

- Solo MCRs must fall within a corridor between 25% and 45% of the SCR. Until 31 December 2017 supervisors were allowed to apply the corridor to the standard formula SCR even when an insurer was using an approved internal model. From 1 January 2018, the MCRs of the Group's Danish entities (Codan Forsikring A/S and Forsikringselskabet Privatsikring A/S) were no longer subject to a corridor based on the Standard Formula SCR. This increased the Group's MSCR coverage ratio by c16 percentage points on 1 January 2018

E.2.9 Consolidated Group SCR constituents

The accounting consolidation method has been chosen (method 1) by RSA. As such, group supervision applies at the Group holding company level and no subgroup level reporting is required.

Described in the table below are the insurance and reinsurance undertakings within the Group that are included in the calculation of the Group Solvency:

	SCR (Including Op Risk) £m
Fully consolidated insurance or reinsurance undertakings (incl. third country insurance undertakings, insurance holding companies, mixed financial holding companies and ancillary services undertakings)	1,743
Fully consolidated special purpose vehicles	-
Proportionally consolidated insurance or reinsurance undertakings (incl. third country insurance undertakings, insurance holding companies, mixed financial holding companies and ancillary services undertakings)	-
Other subsidiaries (not listed above) consolidated on an adjusted equity basis	-
Credit institutions, investment firms and financial institutions, alternative investment fund managers, UCITS management companies, institutions for occupational retirement provision, non-regulated entities carrying out financial activities	-
All other related undertakings (not listed above)	-
Total	1,743

E.2.10 Group diversification effects

All of the risks above are derived from the simulations making up the SCR calculation. However, in any simulation, there may be good or bad outcomes from each individual risk. Thus, when the confidence level for each risk is taken separately and then totalled, the result is a higher value than the SCR. The measured difference is the inherent diversification between modelled risks.

Quantitative information on diversification benefit at the 2018 year end as calculated by the internal model is available in QRT S.25.03 in Appendix 8. It is important to note that the quantification of diversification within the model depends critically upon the choice of risk category and the level of granularity required.

E.2.11 Minimum consolidated Group SCR

The calculation of the solo MCRs for the MSCR is shown in the table below:

	Linear MCR pre-corridor £m	Corridor - 25% £m	Corridor - 45% £m	MCR (per MSCR) £m
Royal & Sun Alliance Insurance plc (United Kingdom)	613	436	784	613
Codan Forsikring A/S (Denmark)	411	135	242	242
Forsikringselskabet Privatsikring A/S (Denmark)	11	6	10	10
Holmia Livförsäkring AB (Sweden)	9	5	9	9
RSA Insurance Ireland DAC (Republic of Ireland)	15	22	40	22
The Marine Insurance Company Limited (United Kingdom)	-	2	4	3
Royal & Sun Alliance Reinsurance Limited (United Kingdom)	-	2	4	3
RSA Luxembourg S.A. (Luxembourg)	n/a	n/a	n/a	3
British Aviation Insurance Company Limited (United Kingdom)	1	1	2	3
Non-EEA insurance entities	393	n/a	n/a	393
MSCR				1,301

E.2.12 Undertakings in scope of the internal model

Information on all undertakings in the scope of the Group internal model SCR is included in QRT S.32.01.22 in Appendix 8.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

The duration-based equity risk sub-module is not used.

E.4 Differences between the standard formula and any internal model used

E.4.1 Internal model purposes

The internal model helps ensure that the Group operates effectively and within regulatory requirements on a continuous basis. The model outputs provide the capital information used in: the calculations of Economic Capital and the SCR, the ORSA, reporting and disclosure, and other business applications.

The Group's risk profile differs significantly from that assumed by the Standard Formula making the latter unsuitable to measure the Group's SCR.

E.4.2 Internal model scope

Scope (by business unit)

All of the Group's business units are included in the scope of the internal model.

Scope (by risk type)

The Internal Model SCR is split into the following sub-modules:

- Underwriting Risk
- Catastrophe Risk
- Reserve Risk
- Market Risk
- Credit Risk
- Currency Risk
- Pension Risk
- Operational Risk
- Other Drivers

E.4.3 Partial internal model integration

A full internal model is used so there is no partial internal model integration into the standard formula.

E.4.4 Internal model calculation methods

Overview of model methodology

The Group employs an internal model to determine its SCR capital requirements at both a Group and UK regulated entity level. The SCRs assume that one year of new business is written as a going concern and calculates the movement in basic own funds over one year.

A model run consists of 100,000 simulations, each representing a different possible outcome of the future cash flows and balance sheets. For each projected balance sheet, the difference between the opening available net assets and the present value of projected net assets represents the capital required to meet the outflows and value movements in the period up to that projected balance sheet.

Operational risk is modelled separately and the resulting capital requirement added to that produced by the main model run to arrive at the overall assessment of capital required.

E.4.5 Differences in methodologies and assumptions

Differences in standard formula and internal model structure

The Group's internal model is structured in a different way from the standard formula. In the standard formula, different risk types are considered on a standalone basis and explicit correlations are applied to each risk factor to derive an overall capital requirement. The internal model is a fully integrated capital model where individual variables interact to create a distribution of outcomes, by simulating future cash flows to perform an annual valuation of each item on the balance sheet.

Explanation by risk module used in internal model and standard formula

Insurance risk – underwriting, reserving and catastrophe

The internal model splits insurance risk into three categories:

- Underwriting
- Reserving
- Catastrophe

Non-life, health and life risks are all considered jointly within each category (although non-life is the material component).

The standard formula splits non-life risks and non-life like health risks into three separate categories:

- Premium and Reserve
- Catastrophe
- Lapse (immaterial for RSA as a non-life insurer)

In broad terms, standard formula premium and reserve risk for non-life and health can be compared to internal model underwriting and reserve risk (although the standard formula combines the two).

Catastrophe risk can similarly be compared.

This approach is crude as it ignores the fundamentally different approach to diversification between the two methods.

Life risks are immaterial at a Group level for both the internal model and standard formula, given the nature of the Group's operations.

Market and currency risk

Market risk is lower under the internal model than the standard formula. The standard formula uses pre-determined charges, whereas the Internal Model uses projected returns on RSA's assets based on a range of economic simulations, which leads to a more appropriate reflection of RSA's risk profile.

Counterparty risk

Counterparty risk is lower under the internal model than the standard formula. The internal model will simulate defaults based on Standard & Poor credit ratings and RSA's own reinsurance data for cash and reinsurance exposures. Policyholder, intermediary and other asset defaults are modelled based on historic default data, which is lower than that implied by the standard formula 15% and 90% default rates.

Operational risk and other items

Operational risk is lower under the internal model than the standard formula. The internal model uses scenarios that are designed using expert judgement from subject matter experts using RSA's real experience and third party data. As a result, the internal model is more closely aligned to real world experience than a function of reserves.

Risks not covered by the standard formula but covered by the internal model

The standard formula is, by its very nature and design, a standardised calculation method and is therefore not tailored to the individual risk profile of RSA. For example, the standard formula does not capture:

- Credit spread volatility and longevity risk associated with the Group's pension schemes
- Claims inflation risk arising from changes in legislative, global economic and political environment

E.4.6 Risk measure and time period

The internal model SCR represents the capital required to ensure that the firm will have sufficient amount of eligible capital resources to be able to meet its obligations when the business encounters adverse conditions, subject to a confidence level of 99.5% over a one-year period and assuming the business remains a going concern.

E.4.7 Data nature and appropriateness

There are many data sources used in the internal model.

For example:

- Balance Sheet data
- Detailed asset data
- Best estimate reserves and reserving triangles by class of business
- Historical loss ratios by class of business
- Historical Large losses by class of business
- Operational Plan
- Exposure data for Catastrophe Modelling
- Economic data for Economic Scenario Generator
- Operational risk loss scenario assessments

Each data item used by the internal model is assessed in an annual data quality assessment exercise to establish whether the data is accurate, appropriate and complete.

E.4.8 Solo and Group level differences

The Group and all solo entities use the same internal model (with the exception of Holmia Livförsäkring AB, RSA Luxembourg S.A. and RSA Insurance Ireland DAC, which all use the standard formula). There are no differences between the model used at the individual solo entity level and the model used to calculate the Group SCR.

E.5 Non-compliance with the MCR and non-compliance with the SCR

The Group has been fully compliant with the Group SCR and maintained a surplus on the MSCR during the reporting period.

E.6 Any other information

Nothing to report.

Appendix 1. Group Branches

Branches as at 31 December 2018

Company	Country of Branch
Royal & Sun Alliance Insurance plc	Argentina Belgium China DIFC, Middle East France Germany Greece Ireland Italy Netherlands Norway Pakistan Spain
RSA Luxembourg S.A.	Belgium France Netherlands Spain United Kingdom
The Marine Insurance Company Limited	Greece
Royal & Sun Alliance Reinsurance Limited	Argentina
Royal Insurance (U.K.) Limited	Ireland
Royal International Insurance Holdings Limited	Greece
Sun Insurance Office Limited	Greece Italy
Royal & Sun Alliance Insurance (Middle East) BSC (c)	Abu Dhabi Dubai Sharjah
Codan Forskring A/S	Norway Sweden United States
The London Assurance	Greece

Appendix 2. Royal & Sun Alliance Insurance plc Solo SFCR Sections

Summary

Royal & Sun Alliance Insurance plc (RSAI) is the main insurance company in the Group and is the primary holding company of the Group's entire insurance business.

The Group SFCR meets the regulatory requirement for public disclosure in respect of RSAI, RSA Re and MIC. As mentioned in the introduction in the Group SFCR, RSAI, RSA Re and MIC are legal entities meeting all regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the RSA Group as a whole.

A. Business and Performance

RSAI is the largest operating company of the Group. RSAI, its subsidiaries and overseas branches transact the majority of the Group's business. RSAI itself transacts the greater part of its business in the UK where it is a leading commercial lines insurer and a top-five personal lines insurer via direct and affinity lines business.

RSAI offers a full suite of commercial lines products across Property, Liability, Motor and Marine, distributing predominantly via insurance brokers. RSAI's personal lines business principally provides Household, Motor and Pet insurance through brokers and affinity programmes as well as through MORE TH>N, its direct brand.

As a company registered in England and Wales, RSAI must comply with the provisions of the Companies Act 2006. RSAI is also subject to financial regulation and is licensed by the PRA as an insurer. Its directors are FCA/PRA approved persons. The main insurance regulations covering RSAI are the FCA handbook and the PRA rulebook, including the body of European law, regulation and guidelines known as Solvency II, which became effective on 1 January 2016.

Business Strategy

RSAI has adopted the Group business strategy which is to be focused, stronger and better.

This translates to:

- **Focused** - exploiting leadership positions, focusing on areas where the Group can compete and win
- **Stronger** - building a balanced, diversified and well capitalised business
- **Better** - building a business based on operational excellence and open and transparent communication

Performance Information

This section of the Appendix provides information about the business and performance of RSAI, covering in particular the performance from underwriting and investment activities.

Performance figures in section A of this Appendix have been prepared in accordance with the same accounting standards used for RSAI's Annual Report and Accounts. This is United Kingdom Generally Accepted Accounting Practice (UK GAAP).

A.1 Business

A.1.1 Company name & legal form

Royal & Sun Alliance Insurance plc (RSAI) is a public limited company incorporated in England and Wales

A.1.2 Supervisory authority

The Prudential Regulation Authority (PRA) is the authority responsible for prudential supervision of RSAI. The contact details of the PRA are in section A.1.2 in the Group SFCR.

A.1.3 External auditor

RSAI's external auditor is KPMG LLP. See section A.1.3 in the Group SFCR for contact details.

A.1.4 Holders of qualifying holdings

RSAI's sole shareholder is Royal Insurance Holdings Limited.

A.1.5 Position within the Group legal structure

RSAI's immediate parent company is Royal Insurance Holdings Limited, a company incorporated in England and Wales. RSAI's ultimate parent and controlling party is RSA Insurance Group plc, which is registered in England and Wales.

A.1.6 Material related undertakings

See Appendix B of the Group's 2018 Annual Report and Accounts for a list of all subsidiaries and associates of the Group, which include subsidiaries and associates of RSAI.

See Appendix 1 of the Group SFCR for a list of all branches, including those of RSAI. None of RSAI's branches are material.

See section A.1.6 of the Group SFCR for a list of the Group's material related undertakings, these are also material related undertakings of RSAI.

A.1.7 Simplified Group structure

See section A.1.7 of the Group SFCR.

A.1.8 Business lines and geographical areas

RSAL's material lines of business and the material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
UK & International
Canada (Quota Share)
Line of businesses – non-life
Fire and damage to property
Motor vehicle liability
General liability
Marine, aviation and transport
Medical expense
Other motor

A.1.9 Significant events

See section A.1.9 of the Group SFCR for the significant events of the Group. These are also the significant events for RSAL.

A.2 Underwriting performance

RSAI's operations are materially driven by the UK & International region's results and are affected by factors not reflected in divisional numbers such as intra-group reinsurance (see section A.1.10 in the Group SFCR). The directors of RSAI manage the operations on a divisional basis as described in the Annual Report and Accounts of the Group. For this reason, RSAI's directors believe that analysis using key performance indicators for the UK business in aggregate is relevant to RSAI. The Group's assessment of 2018 performance can be found in the preliminary results press release on the Group's website at <https://www.rsagroup.com/news/press-releases/2019/rsa-2018-preliminary-results>.

	2018	2017
	£m	£m
Net written premiums	2,911	3,598
Net earned premiums	3,022	3,329
Net incurred claims	(2,031)	(2,335)
Commissions	(873)	(895)
Operating expenses	(154)	(146)
Underwriting result	(36)	(47)
Investment income	136	154
Investment expenses	(8)	(7)
Unwind of discount	(6)	(6)
Investment result	122	141
Operating result	86	94
Interest	(48)	(112)
Profit on disposals	11	48
Other non-operating charges	(41)	(365)
Dividends from subsidiary undertaking	262	1,522
Profit before tax	270	1,187
Tax	(4)	(26)
Profit after tax	266	1,161

2017 comparatives have been reclassified. There is no impact on the 2017 profit for the financial year as a result of this change in presentation. See notes 7 and 11 of the RSAI Annual Report and Accounts for further details relating to this reclassification.

	Net Written Premium		Underwriting Result	
	2018	2017	2018	2017
	£m	£m	£m	£m
Non-life				
Fire and other damage to property	1,185	1,373	(70)	(30)
Motor vehicle liability	512	905	2	(24)
General liability	332	338	64	(18)
Marine, aviation and transport	309	354	(58)	(20)
Medical expense	262	282	3	-
Other motor	223	274	23	41
Total material lines of business	2,823	3,526	(36)	(51)
Non-material	88	72	-	4
Total	2,911	3,598	(36)	(47)

A.3 Investment performance

The information in this section of the report is taken from the RSAI Annual Report and Accounts.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in RSAI's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

A summary of the gross investment income, net realised and net unrealised gains/(losses) included in the income statement is given below:

	Investment income		Net realised gains/(losses)		Net unrealised gains/(losses)		Total investment return	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Investment property	19	21	9	-	7	1	35	22
Equity securities								
Available for sale	9	7	2	2	-	-	11	9
At fair value through the profit and loss account	-	-	-	-	-	-	-	-
Debt securities								
Available for sale	101	106	3	12	-	-	104	118
At fair value through the profit and loss account	-	-	-	-	-	-	-	-
Other investments								
Loans secured by mortgages	-	-	-	-	-	-	-	-
Other loans	50	22	-	-	1	-	51	22
Other	-	-	-	-	-	-	-	-
Deposits, cash at bank and in hand	2	1	-	-	-	-	2	1
Derivatives	(2)	3	-	(4)	(16)	31	(18)	30
Total net investment return	179	160	14	10	(8)	32	185	202
Dividends from subsidiary undertakings	262	1,522	-	-	-	-	262	1,522
	441	1,682	14	10	(8)	32	447	1,724

2017 comparatives have been reclassified. There is no impact on the 2017 profit for the financial year as a result of this change in presentation. See note 7 of the RSAI Annual Report and Account for further details relating to this reclassification.

A summary of the investment management expenses by asset class is given below:

	2018 £m	2017 £m
Investment property	(1)	(1)
Debt securities	(6)	(4)
Loans and receivables	(1)	(1)
Total investment management expenses	(8)	(6)

A.3.2 Gains and losses recognised in equity

Unrealised gains and losses recognised in other comprehensive income for available for sale assets are as follows:

	Net unrealised gains / (losses)		Net realised (gains) transferred to profit and loss account		Net movement recognised in other comprehensive income	
	2018	2017	2018	2017	2018	2017
	£m	£m	£m	£m	£m	£m
Equity securities	3	(5)	(2)	(2)	1	(7)
Debt securities	(74)	(42)	(3)	(93)	(77)	(135)
Subsidiary and associate undertakings	263	(94)	(2)	-	261	(94)
Total	192	(141)	(7)	(95)	185	(236)

A.3.3 Investments in securitisation

RSAI invests in securitised investments. These investments are issued by entities created by and managed by external specialist investment managers.

RSAI's exposure to securitised investments at 31 December 2018 is summarised in the table below:

Class of investments	Nature of the underlying investments of the vehicle	Exposure	
		2018	2017
		£m	£m
Collateralised debt obligations	Structured debt security backed by bonds	223	260

A.4 Performance of other activities

A.4.1 Other material income & expenses

Employee expenses

Staff costs for all employees comprise:

	2018 £m	2017 £m
Wages and salaries	226	219
Social security costs	30	29
Other pension costs	38	39
Total staff costs	294	287

A.4.2 Operating and finance leasing arrangements

RSAL leases various outlets and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Operating lease commitments where the Company is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2018 £m	2017 £m	2018 £m	2017 £m
One year or less	17	16	9	-
Between one and five years	55	55	10	1
After five years	62	71	-	-
	134	142	19	1
Recoveries under sub tenancies	(4)	(6)	-	-
Total	130	136	19	1

Operating lease commitments where the Company is the lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	Land and buildings	
	2018	2017
	£m	£m
One year or less	16	19
Between one and five years	57	69
After five years	42	52
Total	115	140

Finance leases

RSAI has no material finance leases.

B. System of Governance

B.1 General information on the system of governance

Group Board v RSAI Board

Authority for determining the RSA Group strategy and business model, as adopted by RSAI, resides firmly with the RSA Group Board. This explains why there are currently no independent Non-Executive Directors on the RSAI Board.

These points are reflected in the RSA Group and RSAI's system of governance arrangements, which are designed to leverage the synergies between the two Boards, ensure clarity of director responsibilities and avoid duplication of activities. In particular, the arrangements shape the composition of the RSAI Board and the roles and responsibilities of the RSAI Directors and Group Corporate Centre and UK Executive Teams. They are also the rationale for RSAI adopting the Group Internal Control and Risk Management Systems in supporting its corporate governance framework.

The delegated authority framework

The delegated authority framework sets out how the Group Board's authority is delegated to the Group Chief Executive Officer, and then further delegated to the officers of the business (this framework also underpins the use of Executive Licences). The scope of the delegated authority framework reaches all RSA businesses, and means that all individuals operate within a set of limits and powers delegated by the Group Chief Executive Officer, their direct reports and/or governing bodies. This process ensures consistency between each of the subsidiaries within the Group.

The powers of the RSAI Board, and the extent to which these powers may be delegated or must be retained, are set out in detail in the RSAI Board's Terms of Reference.

Conduct framework

A programme commenced in 2017 to review and enhance the oversight of customer experience and conduct risk. A 1st line Conduct framework has been established including a Customer Committee. This oversees the implementation and subsequent adherence to a Customer Policy and further sub-policies, as well as material customer journey and product changes. Reporting to the committee includes risk-based MI focussed on customer outcomes and conduct risk appetite. Primary oversight and challenge is provided by the RSAI Board.

Corporate governance framework

The purpose of the corporate governance framework is to specify how RSAI meets its legislative and regulatory governance requirements, enabling effective and efficient decision making by the RSAI Board. It ensures that both directors and employees act under a chain of authority and powers which stretches back to the RSA shareholders as ultimate owners of RSAI. It provides the framework which supports the realisation of its business strategy and supports its long term success and safeguards compliance with applicable laws and regulations.

The RSAI Board is accountable to stakeholders for the creation and delivery of strong sustainable performance and the creation of long term shareholder value. It meets frequently and is responsible for organising and directing the affairs of RSAI in a manner that will promote the success of RSAI and is consistent with good corporate governance practice, ensuring that in carrying out its duties RSAI meets legal and regulatory requirements.

The RSAI Board

The RSAI Board of Directors oversees the business of the company and exercises fiduciary responsibility and governance oversight in relation to the subsidiaries. It may exercise all the powers of the company subject to the Articles of Association, the RSAI Board's Terms of Reference, relevant law and any directions as may be given by its shareholder, Royal Insurance Holdings Limited, in general meetings by ordinary shareholder resolution. The RSAI Board Terms of Reference sets out matters that are reserved for the RSAI Board and those matters that are above the delegated authority, which must be referred to its ultimate shareholder for approval (RSA Insurance Group plc). The RSAI Board ensures that authority is obtained from a management authority perspective as well as a legal entity basis.

All directors of RSAI are senior executives of the company. Directors have access to the services and advice of the Group Chief Legal Officer and Company Secretary, Company Secretariat, the Internal Audit Function, the Compliance function, the Risk function, and the Actuarial function. In addition, directors may take independent professional advice at RSAI's expense in furtherance of their duties.

Changes during 2018

The changes to RSAI's system of governance over the reporting period are the establishment of regional 1st Line Conduct Frameworks, including Customer Committees, and consequent changes to reporting and the Terms of Reference of the Board Risk Committee to provide primary oversight of these regional committees (as at December 2018 the Conduct Framework and Customer Committee are operational in the UK), together with the introduction of the Senior Managers & Certification Regime and associated Responsibilities Map.

Key governance functions

None of RSAI's key governance functions have been outsourced. The RSAI Board's Terms of Reference explicitly note the right of the Heads of the key governance functions to have direct access to the RSAI Board at all times and for a private meeting with the directors at least annually.

Remuneration

RSAI has adopted the Group remuneration framework and aligns to general principles and standards set by the Group. These are contained in the Group Remuneration Policy.

RSAI's directors receive no remuneration in their capacity as directors of this company. They receive remuneration for their services to the Group as a whole.

Shareholder/Board transactions

Key management transactions

The aggregate emoluments of the directors, including amounts received from subsidiaries, were as follows:

	£m
Salaries and bonuses	2
Allowances, benefits and other awards	1
Total	3

During 2018, no retirement benefits accrued under defined benefit schemes for directors. During 2018, contributions of £6,875 were made to Group defined contribution schemes during the year in respect of directors.

During 2018, one director exercised share options and three directors had share awards vesting under long term incentive schemes in respect of ordinary shares of RSAI's ultimate parent company.

Dividends

	£m
Interim dividends of 4.86p per ordinary share were paid during the year	236

The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2018.

B.2 Fit and proper requirements

Although fit and proper requirements are applied at an entity level, RSA also ensures that Group Board members who exercise independent oversight and challenge over RSAI's UK business are fit and proper.

See section B.2 within the Group SFCR for details of the Group's fit and proper requirements.

B.3 Risk management system including the own risk and solvency assessment

RSAI has adopted the Group Risk Management System, reflecting the close alignment between RSAI's risk strategy and risk appetite with that of the Group. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

RSAI has adopted the Group internal control system. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

See section B.5 within the Group SFCR for details of the Group's internal audit function.

This approach is applied to the plans for RSAI. GIA provides both its audit plans and quarterly updates on progress against plans, the outcomes of its work and progress against issues to the RSAI Board.

B.6 Actuarial function

The Group Actuarial function is also the actuarial function holder for RSAI and has independent access to the RSAI Board. The Group Actuarial function produces annual actuarial function reports summarising the key conclusions of the actuarial function's work covering RSAI and these are presented to the RSAI Board.

See section B.6 within the Group SFCR for details of the Group's actuarial function.

B.7 Outsourcing

RSAI enters into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Certain of RSAI's subsidiaries have also entered into outsourcing agreements with it in relation to the efficient provision of services across the Group. See section B.7 within the Group SFCR for further details.

The RSAI board reviews the provisions of all major external outsourcing contracts.

B.8 Any other information

Nothing to report.

C. Risk Profile

RSAI has adopted the Group Risk Management System, reflecting the close alignment between RSAI's risk strategy and risk appetite with that of the Group.

Since RSAI is virtually at the top of the Group structure, the risk profile of RSAI is considered to be identical to that of the Group, with the same risks being experienced either directly or via the valuation of its subsidiaries.

Information on RSAI's risk profile is therefore contained in Section C within the Group SFCR which sets out the Group's risk profile.

At 31 December 2018 RSAI's EPIFP was £8m.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with the accounting standard used for RSAI's Annual Report and Accounts: UK GAAP. However, there are no differences in valuation principles between IFRS (used for the Group's valuation) and UK GAAP (Financial Reporting Standard (FRS) 101), so all basis of preparation descriptions referring to IFRS in section D.1 in the Group SFCR apply equally to RSAI. For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of RSAI's Annual Report and Accounts.

RSAI SII balance sheet

	Statutory accounts value £m	Reclassification £m	SII valuation adjustments £m	Solvency II value £m
Goodwill and intangible assets	165	-	(165)	-
Deferred tax assets	164	-	-	164
Pension benefit surplus	239	-	-	239
Property, plant and equipment held for own use	29	18	(11)	36
Investments (other than assets held for index-linked and unit-linked contracts)	17,482	19	(4,462)	13,039
<i>Property (other than for own use)</i>	328	(19)	-	309
<i>Holdings in related undertakings, including participations</i>	12,999	2	(4,462)	8,539
<i>Equities</i>	263	(260)	-	3
<i>Bonds</i>	3,829	24	-	3,853
<i>Collective investments undertakings</i>	-	261	-	261
<i>Derivatives</i>	63	-	-	63
<i>Deposits other than cash equivalents</i>	-	11	-	11
Loans and mortgages	1,132	50	-	1,182
Reinsurance recoverables	1,940	582	(606)	1,916
Deposits to cedants	125	25	-	150
Insurance and reinsurance receivables	1,821	(39)	(1,572)	210
Receivables (trade, not insurance)	336	332	-	668
Cash and cash equivalents	99	-	-	99
Assets of operations classified as held for sale	613	(613)	-	-
Any other assets, not elsewhere shown	532	(47)	(442)	43
Total assets	24,677	327	(7,258)	17,746
Technical provisions	6,782	582	(1,538)	5,826
Provisions other than technical provisions	37	-	-	37
Pension benefit obligations	7	-	-	7
Derivatives	113	-	-	113
Financial liabilities other than debts owed to credit institutions	5,751	317	-	6,068
Insurance and reinsurance payables	826	1	(729)	98
Payables (trade, not insurance)	1,920	23	-	1,943
Subordinated liabilities	32	-	-	32
Liabilities of operations classified as held for sale	613	(613)	-	-
Any other liabilities, not elsewhere shown	284	17	-	301
Total liabilities	16,365	327	(2,267)	14,425
Excess of assets over liabilities	8,312	-	(4,991)	3,321

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax is detailed below:

	Asset £m	Liability £m
Deferred tax assets/liabilities	164	-

The following are the major deferred tax assets and liabilities recognised by RSAI:

	£m
Net unrealised gains on investments	(16)
Tax losses and unused tax credits	59
Accrued costs deductible when settled	65
Retirement benefit obligations	1
Capital allowances	55
Provisions and other temporary differences	-
Net deferred tax position at 31 December	164

The utilisation of RSAI's net deferred tax assets of £164m is largely dependent on the availability of future taxable profits. The evidence for the future taxable profits is a forecast consistent with the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge by senior management and the RSAI Board. Additional assurance is obtained from the recognition of deferred tax for IFRS purposes by the UK group of companies being subject to discussion and challenge by the Group Audit Committee and Group auditors. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those in the plans.

No deferred tax has been recognised in respect of £485m of SII adjustments to tangible and intangible fixed assets, technical provisions and other balance sheet items as there is insufficient certainty that adequate future profits will be available.

At the end of the reporting period, RSAI has unused tax losses of £2,071m for which no deferred tax asset is being recognised. This includes capital losses of £1,116m for which it is unlikely that a deferred tax asset would be recognised as most UK capital gains are exempt from tax. None of these losses are subject to expiry. In addition, RSAI has deductible temporary differences of £179m for which no deferred tax has been recognised under FRS 101.

The net deferred tax assets of £164m relates to tax jurisdictions in which RSAI has suffered a loss in either the current or preceding period. No deferred tax asset has been recognised in respect of actual tax losses suffered in the period of £134m of which £76m has been surrendered for value.

The procedure for providing SII deferred tax figures for RSAI utilises a walkthrough bridge from the figures reported on an FRS 101 basis in RSAI's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the SII balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and SII guidance.

D.2 Technical provisions

		SII Net Technical Provisions		Statutory	
		Best Estimate	Risk Margin	Accounts Value	Difference
		£m	£m	£m	£m
	Medical Expense	33	2	161	(126)
	Income Protection	1	-	2	(1)
Direct Business and Accepted Proportional Reinsurance	Motor Vehicle Liability	1,121	84	1,573	(368)
	Other Motor	(15)	1	(28)	14
	Marine, Aviation and Transport	298	8	408	(102)
	Fire and Other Damage to Property	899	24	1,273	(350)
	General Liability	1,000	75	1,102	(27)
Other Non-Life Direct and Accepted Reinsurance Lines		181	9	219	(29)
Life & Health Insurance Lines		128	61	132	57
TOTAL		3,646	264	4,842	(932)

Notes

- (1) Allowance for future premium within SII Technical Provisions is a significant difference impacting multiple lines of business. These are Medical Expenses, Income Protection, Motor Vehicle Liability, Marine Aviation & Transport, Fire & Other Damage to Property and General Liability insurance.
- (2) Profit tied up in UPR under IFRS is released in SII. This applies for most classes.
- (3) Risk Margin held under SII is higher than the margin in the Outstanding Claims Provisions under IFRS.
- (4) For Life & Health insurance lines the difference is almost entirely driven by the difference in IFRS and SII risk margins.

D.3 Other liabilities

Liabilities for employee benefits including defined benefit plan assets

Defined benefit pension schemes and other post-retirement benefits

The major defined benefit pension schemes are located in the UK. The assets of these schemes are mainly held in separate trustee administered funds. The UK defined benefit schemes were effectively closed to new entrants in 2002.

The value of scheme assets and defined benefit liability at 31 December 2018 are as follows:

	Total £m
Present value of funded obligations	(7,460)
Present value of unfunded obligations	(7)
Present value of obligations	(7,467)
Equities	548
Government debt	5,352
Non government debt	2,424
Derivatives	719
Securities with quoted market price in an active market	9,043
Property	644
Cash	193
Other (including infrastructure, commodities, hedge funds, loans)	453
Other investments	1,290
Value of asset and longevity swaps	(2,506)
Total assets in the schemes	7,827
Other net surplus remeasurements	(129)
Total surplus	231
Defined benefit pension schemes	231
Schemes in surplus	238
Schemes in deficit	(7)

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include certain debt and equity securities, collective investment schemes, derivatives and subordinated debt.

The assets and liabilities for this entity are managed and valued in the same way as for the Group, therefore see Section D of the Group SFCR for a description of the valuation techniques used and how they are assessed. Also refer to Note 26 of the Group Annual Report and Accounts for further details of the valuation methods and assumptions used when valuing such instruments.

There are no differences between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for UK GAAP reporting.

E. Capital management

Information on the Group's capital management is contained in Section E of the Group SFCR.

The risk profile of RSAI is considered to be identical to that of the Group, given RSAI's position in the Group structure, and therefore the modelled SCR of the Group and RSAI is the same.

Capital composition

The capital structure of RSAI by tier as at 31 December 2018 is as per the table below. See section E.1.2 in the Group SFCR for details of RSAI's loan capital characteristics.

		2018 £m	2017 £m
Tier 1 Unrestricted	Equity capital (including Share Premium)	3,751	3,707
	Reconciliation reserve	(1,012)	(1,030)
		2,739	2,677
Tier 2	Subordinated liabilities	32	36
	Share Premium	419	462
		451	498
Tier 3	Net deferred tax assets	164	190
Total Available Own Funds		3,354	3,365

Basic own funds to eligible own funds

A basic own funds to eligible own funds to cover the SCR reconciliation for RSAI is shown below. No capital is deemed to be non-available to meet the SCR within RSAI's own funds.

	Basic Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	2,739	-	2,739	-	2,739		
Tier 1 (R)	-	-	-	-	-	685	20% of total Tier 1
Tier 2	451	-	451	-	451	872	Tier 2 + Tier 3 up to 50% of SCR
Tier 3	164	-	164	-	164		
Total	3,354	-	3,354	-	3,354		

SCR	1,743
Surplus	1,611
SCR Coverage	192%

Eligible own funds to cover the MCR

A basic own funds to eligible own funds to cover the MCR reconciliation for RSAI is shown below:

	Basic Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	2,739	-	2,739	-	2,739		
Tier 1 (R)	-	-	-	-	-	685	20% of total Tier 1
Tier 2	451	-	451	(328)	123	123	Tier 2 up to 20% of MCR
Tier 3	164	-	164	(164)	-		Ineligible
Total	3,354	-	3,354	(492)	2,862		
				MCR	613		
				Surplus	2,249		
				MCR Coverage	467%		

Comparison between FRS 101 net equity and SII basic own funds

Following on from Section D, SII basic own funds are calculated in the following table:

	£m
Excess of assets over liabilities (see Section D)	3,321
Subordinated debt	33
SII Basic Own Funds	3,354

SCR and MCR

At 31 December 2018 RSAI's SCR was £1,743m and the MCR £613m.

Movements in the SCR

See section E.2.8 in the Group SFCR – this is the same for RSAI.

Movements in the MCR

There were no significant movements in the MCR during the year.

Non-compliance with the MCR and non-compliance with the SCR

RSAI has been fully compliant with its SCR and MCR during the reporting period.

Appendix 3. Royal & Sun Alliance Reinsurance Limited Solo SFCR Sections

Summary

The principal activity of Royal & Sun Alliance Reinsurance Limited (“RSA Re”) is to provide a settlement function for the insurance activities carried out by the Group’s offices and Global Network partners.

The Group SFCR meets the regulatory requirement for public disclosure in respect of RSAI, RSA Re and MIC. As mentioned in the introduction in the Group SFCR, RSAI, RSA Re and MIC are legal entities meeting all regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the RSA Group as a whole.

A. Business and Performance

General structure

RSA Re is the legal entity through which the following Group activities are undertaken:

- business written by the Global Network
- intra-group reinsurance treaties

Global Network

RSA Re provides a reinsurance function for the international insurance activities of the Group offices and the Global Network partners (Strategic Network Partners), selected insurers which work with RSA. RSA Re also provides local coverage for those parts of the world where RSA does not have approval to write business.

The Global Network facilitates the fronting of risks by RSA Group entities through servicing offices (RSA entities or external Strategic Network Partners) via licences to operate in the relevant territory. As of November 2017, the Global Network covered 180 territories worldwide through 36 producing offices. The Strategic Network Partners pay a fee to use the network. Membership of the Global Network enables the external partners to offer wider geographical coverage to their clients. Most of the business written relates to global insurance programmes for multinational entities. The Global Network Team undertakes relationship management and business development, with the Central Accounting Unit (CAU), a dedicated team based in Liverpool undertaking reconciliation of intragroup insurance/reinsurance activity; contributing to financial reporting for RSA Re, and efficient cash flow.

RSA Re acts as the reinsurer between the producing office (the legal entity which ultimately holds the risk, predominantly RSAI) and the servicing office (the legal entity which fronts the risk). 100% of the gross premiums are retroceded. RSA Re has a net nil retention in respect of risk. Management of the treaties has been outsourced to RSAI (CAU and Group Reinsurance).

Intra-group reinsurance

The intra-group reinsurance principally comprises the Internal Reinsurance Vehicle, a mechanism whereby insurance risk is ceded between RSAI branches and subsidiaries to RSAI by using RSA Re. RSA Re has a 100% retrocession agreement moving all of the ceded premium from the RSA Re to RSAI (RSA Re keeps a 2% fronting fee.). This activity is conducted by Group Reinsurance and all cessions into the Internal Reinsurance Vehicle overseen by the Retained Reinsurance Committee, a body established by the Group Chief Executive Officer under the terms of his Executive Licence.

RSA Re only provides reinsurance protection for claims relating to pre-sale policies. Reinsurance is on a loss occurring basis.

RSA Re has no direct employees; all services necessary for the above activity being provided by RSAI under a Master Services Agreement and an Internal Model Agreement.

Business strategy

RSA Re has adopted the Group business strategy which is to be focused, stronger and better.

This translates to:

- **Focused** - exploiting leadership positions, focusing on areas where the Group can compete and win
- **Stronger** - building a balanced, diversified and well capitalised business
- **Better** - building a business based on operational excellence and open and transparent communication

Performance information

Section A of this Appendix provides information about the business and performance of RSA Re, covering in particular the performance from underwriting and investment activities.

Performance figures in Section A of this Appendix have been prepared in accordance with the same accounting standards used for RSA Re's Annual Report and Accounts. This is United Kingdom Generally Accepted Accounting Practice (UK GAAP).

A.1 Business

A.1.1 Company name & legal form

Royal & Sun Alliance Reinsurance Limited (RSA Re) is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

The Prudential Regulation Authority (PRA) is the authority responsible for prudential supervision of RSA Re. The contact details of the PRA are in section A.1.2 in the Group SFCR.

A.1.3 External auditor

RSA Re's external auditor is KPMG LLP. See section A.1.3 in the Group SFCR for contact details.

A.1.4 Holders of qualifying holdings

The sole shareholder is Royal & Sun Alliance Insurance plc.

A.1.5 Position within the Group legal structure

RSA Re's immediate parent company is Royal & Sun Alliance Insurance plc, a company incorporated in England and Wales. RSA Re's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales.

A.1.6 Material related undertakings

RSA Re has no subsidiaries. See Appendix 1 for a list of all RSA Re's branches. No branches are material.

A.1.7 Simplified Group structure

See section A.1.7 in the Group SFCR.

A.1.8 Business lines and geographical areas

RSA Re's material lines of business and the material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
UK & International
Line of businesses – non-life
Marine, aviation and transport
Fire and damage to property
General liability

A.1.9 Significant events

Nothing to report.

A.2 Underwriting performance

RSA Re's activities are focused on the internal reinsurance program and Global Network business. 100% of the gross premiums are retroceded, with a 2% reinsurance commission added in certain circumstances. RSA Re has nil retention in respect of risk. Management of the treaties has been outsourced to RSAI. RSA Re's underwriting profit for the year was £837k (2017: £663k).

A.3 Investment performance

The information in this section of the report is taken from the RSA Re Annual Report and Accounts.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in RSA Re's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

	2018 £'000	2017 £'000
Income from cash at bank and in hand	101	56
Investment income from debt and fixed income securities	304	237
Investment Management Expenses (debt securities)	(1)	(1)
	404	292

A.3.2 Gains and losses recognised in equity

Unrealised gains/ (losses) on other financial instruments classified as available for sale net of tax are as follows:

	2018 £'000	2017 £'000
Debt securities and other fixed income securities	90	(29)

A.3.3 Investments in securitisation

RSA Re has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

RSA Re had no employees during the period (2017: none). All administrative duties are performed by employees of RSAI at no cost to RSA Re (2017: nil).

A.4.2 Operating and finance leasing arrangements

RSA Re has no material operating or finance leases.

B. System of Governance

B.1 General information on the system of governance

The purpose of the Corporate Governance Framework is to specify how RSA Re meets its legislative and regulatory governance requirements, enabling effective, and efficient, decision making by the RSA Re Board.

The RSA Re Board is accountable to stakeholders for the creation and delivery of strong sustainable performance and the creation of long term shareholder value. The RSA Re Board meets frequently and is responsible for organising, and directing, the affairs of RSA Re in a manner that will promote the success of RSA Re and is consistent with good corporate governance practice, ensuring that in carrying out its duties RSA Re and the Group meet legal and regulatory requirements.

The RSA Re Board of Directors oversees the business of RSA Re and exercises fiduciary responsibility. It may exercise all the powers of RSA Re subject to the Articles of Association, the RSA Re Board's Terms of Reference, relevant laws, and any directions as may be given by its shareholder, RSAI, in general meetings by shareholder resolution. The directors of RSA Re are all senior employees of RSAI. In their capacity as directors of RSA Re they have access to the services and advice of the Group Chief Legal Officer and Company Secretary, Company Secretariat, the Internal Audit function, the Compliance function, the Risk function, and the Actuarial function. In addition, directors may take independent professional advice at the expense of RSA Re in furtherance of their duties.

The RSA Re Board's Terms of Reference set out matters which are reserved for the company's RSA Re Board and those matters which are above the delegated authority which must be referred to the shareholder for approval.

There is a standing agenda of items for RSA Re Board meetings, the contents of which are continually refreshed. All decisions are documented by Group Secretariat. The RSA Re Board reviews RSA Re's financial performance through regular reports, including quarterly capital updates, and presentations on actual performance against plan and previous financial year. The RSA Re Board's Terms of Reference require approval of the outsourcing of the Key Governance Functions and critical functions and important activities at least annually, and the RSA Re Board's review of their performance. The RSA Re Board reviews renewals of the internal reinsurance treaties at least annually.

Effectiveness of the RSA Re Board

The RSA Re Board has implemented an effectiveness review process which will be carried out on an annual basis to ensure that the Board is operating effectively.

Changes during 2018

There have been no material changes to RSA Re's System of Governance during the reporting period. Some changes have however been made and these include the introduction of the Senior Managers & Certification Regime and associated Responsibilities Map.

Key governance functions

All of the key governance functions have been outsourced to RSAI. The RSA Re Board's Terms of Reference require the key governance functions to be adequately resourced.

The RSA Re Board's Terms of Reference explicitly note the right of the Heads of the key governance functions to have direct access to the RSA Re Board at all times and for a private meeting with the directors.

Remuneration

RSA Re has adopted the Group remuneration framework and aligns to general principles and standards set by the Group. These are contained in the Group Remuneration Policy.

RSA Re's directors receive no remuneration for their services as directors of this company. They receive remuneration for their services to the Group as a whole.

Shareholder/Board transactions

There are no material transactions to report.

B.2 Fit and proper requirements

The Group Fitness and Propriety Policy provides a single framework for assessment of fitness and propriety of both new and on-going appointees within its scope. The Policy applies to the Executive management, key governance functions, and the directors. RSAI, the service provider, applies the Group Fitness and Propriety Policy.

See section B.2 within the Group SFCR for details of the Group fit and proper requirements.

B.3 Risk management system including the own risk and solvency assessment

RSA Re has outsourced its risk management system to RSAI, which has adopted the Group risk management system. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

RSA Re has outsourced its internal control system to RSAI, which has adopted the Group Internal Control System. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

See section B.5 within the Group SFCR for details of the Group's internal audit function.

This approach is applied to the plans for RSA Re. GIA provides its audit plans, and quarterly updates on progress against plans, the outcomes of its work, and progress against issues to the RSA Re Board.

B.6 Actuarial function

RSA Re operates within the same risk appetite and operational control environments as RSAI. Much of the scope of the Actuarial function is hence covered by RSAI and the Group's Actuarial function documentation.

The Group Actuarial function holder is also the function holder for RSA Re. On an annual basis, the Group Actuarial function produces actuarial function reports summarising the key conclusions of the actuarial function's work covering RSA Re and these are presented to the RSA Re Board.

See section B.6 within the Group SFCR for details of the Group's actuarial function.

B.7 Outsourcing

RSA Re has no employees and has outsourced all of its operations to its immediate parent company, RSAI. RSAI provides all services to RSA Re, including the Key Governance Functions and activities deemed critical and important.

B.8 Any other information

Nothing to report.

C. Risk Profile

RSA Re has outsourced its risk management system to RSAI, which has adopted the Group risk management system.

Material issues are escalated to the RSA Re Board by the Group and UK & International Risk Functions. The risks are a combination of the relevant Group risks and additional material risks specific to RSA Re (e.g. Global Network). In this way, the RSA Re Board is able to oversee and control the activities of its business.

The remainder of this section outlines the key risks applicable to RSA Re's business. Other risks, for example investment risk, are managed by RSAI in its capacity as the service provider. For full risk profile details, see Section C in the Group SFCR which sets out the Group's risk profile. RSA Re is covered by the treaty and facultative protection described in Section C.1.6 in the Group SFCR. Liquidity risk concentrations are considered immaterial for RSA Re. At 31 December 2018 RSA Re's EPIFP was nil. RSA Re is not exposed to pension risk.

Credit risk

RSA Re is exposed to credit risk in respect of other group companies and Global Network Partners. This risk is integrated within and managed together with the other principal risks of the Group.

RSA Re has a credit risk insurance policy with RSAI which is assessed annually and protects it against loss of reinsurance recoverables due to reinsurer insolvency.

Debtor credit risk is managed through tight credit control by the CAU, with 4.2% of accounts going beyond RSA Re's standard 60 days payment terms.

Operational risk

RSA Re is exposed to the following risks as described for the Group in section C.5.3 in the Group SFCR:

- Legal/Legislative Non-Compliance
- Regulatory Breach
- Third Party Management; this is particularly key to RSA Re due to the Global Network and the associated reliance on external third parties

The Master Services Agreement mitigates most of the operational risks. However, RSA Re is exposed to regulatory risk in respect of changes in its operating environment (which it cannot mitigate) or breaches of regulation/failure to renew licences. The latter is controlled through a combination of Group Corporate Centre functions and procedures plus a centrally managed licensing register being held by the Network team. Licence renewal dates are diarised.

As there are limited residual risks within RSA Re, the impact of operational risk is minimal and a detailed sensitivity analysis has not been deemed necessary.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with the accounting standard used for RSA Re's Annual Report and Accounts: UK GAAP. However, there are no differences in valuation principles between IFRS (used for the Group's valuation) and UK GAAP (Financial Reporting Standard (FRS) 101), so all basis of preparation descriptions referring to IFRS in Section D in the Group SFCR apply equally to RSA Re. For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of RSA Re's Annual Report and Accounts.

RSA Re has no retirement benefit obligations, owns no property, has no derivative instruments and has no subordinated debt.

RSA Re SII balance sheet

The assets as per the SII balance sheet at the valuation date are as follows:

	Statutory accounts value £'000	Reclassification £'000	SII valuation adjustments £'000	Solvency II value £'000
Deferred tax assets	23	-	-	23
Investments (other than assets held for index-linked and unit-linked contracts)	38,412	163	-	38,575
<i>Bonds</i>	38,412	163	-	38,575
Reinsurance recoverables	419,988	-	(72,475)	347,513
Insurance and reinsurance receivables	32,473	15,324	(7,430)	40,367
Receivables (trade, not insurance)	2,437	1,001	-	3,438
Cash and cash equivalents	9,596	-	-	9,596
Any other assets, not elsewhere shown	7,155	(7,155)	-	-
Total assets	510,084	9,333	(79,905)	439,512
Technical provisions	419,988	-	(68,365)	351,623
Insurance & intermediaries payables	-	10,480	-	10,480
Reinsurance payables	9,865	1,993	(7,430)	4,428
Payables (trade, not insurance)	1,984	3,852	-	5,836
Any other liabilities, not elsewhere shown	7,141	(6,992)	-	149
Total liabilities	438,978	9,333	(75,795)	372,516
Excess of assets over liabilities	71,106	-	(4,110)	66,996

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax is detailed below:

Deferred Tax	Asset £'000	Liability £'000
Deferred tax assets/liabilities	23	-

The following are the major deferred tax assets and liabilities recognised by RSA Re:

	£'000
Net unrealised loss on investments	23
Net deferred tax position at 31 December 2018	23

The utilisation of RSA Re's net deferred tax assets of £23,000 is largely dependent on the availability of future taxable profits. The evidence for the future taxable profits is a forecast consistent with the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge by senior management and the RSA Re Board. Additional assurance is obtained from the recognition of deferred tax for IFRS purposes by the UK group of companies being subject to discussion and challenge by the Group Audit Committee and Group auditors. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those in the plans.

No deferred tax has been recognised in respect of £4,110,000 of SII adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

In addition, RSA Re has deductible temporary differences of £3,000 for which no deferred tax has been recognised under FRS 101.

The procedure for providing SII deferred tax figures for RSA Re utilises a walkthrough bridge from the figures reported on an FRS 101 basis in RSA Re's Annual Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the SII balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and SII guidance.

D.2 Technical provisions

RSA Re is a net nil entity in which the gross provisions are fully reinsured within the Group. For this reason the statutory account values are small and the differences seen between the net SII technical provisions and the FRS 101 reserves are due to the allowance for reinsurance default within the technical provisions and the associated risk margin.

		SII Net technical provisions		Statutory accounts	Difference
		Best estimate	Risk margin	value	
		£'000	£'000	£'000	£'000
Direct business and accepted proportional reinsurance	Motor vehicle liability	15	2	-	17
	Other motor	(493)	14	-	(479)
	Marine, aviation and transport	819	22	-	841
	Fire and other damage to property	2,311	356	-	2,667
	General liability	1,056	131	-	1,187
Accepted non-proportional reinsurance	Non-proportional property RI	(225)	51	-	(174)
	Non-proportional casualty RI	(4)	31	-	27
	Non-proportional marine, aviation and transport RI	22	2	-	24
Total	3,501	609	-	4,110	

D.3 Other liabilities

Nothing to report.

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include certain debt securities and collective investment schemes.

The assets and liabilities for this entity are managed and valued in the same way as for the Group, therefore see Section D of the Group SFCR for a description of the valuation techniques used and how they are assessed. Also refer to Note 26 of the Group Annual Report and Accounts for further details of the valuation methods and assumptions used when valuing such instruments.

There are no differences between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for UK GAAP reporting.

E. Capital management

Information on capital management, which is carried out at the Group level, is contained in Section E within the Group SFCR.

Capital composition

The capital structure of RSA Re by tier as at 31 December 2018 is as per the table below. RSA Re does not include any subordinated liabilities in its basic own funds.

A dividend of £19m was paid during the year.

		2018 £'000	2017 £'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	70,000	70,000
	Reconciliation reserve	(3,027)	15,292
		66,973	85,292
Tier 1 Restricted		-	-
Tier 2		-	-
Tier 3		23	41
Total Available Own Funds		66,996	85,333

Basic own funds to eligible own funds

A basic own funds to eligible own funds to cover the SCR reconciliation for RSA Re is shown below. No capital is deemed to be non-available to meet the SCR within RSA Re's own funds.

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	66,973	-	66,973	-	66,973		
Tier 1 (R)	-	-	-	-	-	16,743	20% of total Tier 1
Tier 2	-	-	-	-	-	3,934	Tier 2 + Tier 3 up to 50% of SCR
Tier 3	23	-	23	-	23		
Total	66,996	-	66,996	-	66,996		

SCR	7,867
Surplus	59,129
SCR Coverage	852%

Eligible own funds to cover the MCR

A basic own funds to eligible own funds to cover the MCR reconciliation for RSA Re is shown below:

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	66,973	-	66,973	-	66,973		
Tier 1 (R)	-	-	-	-	-	16,743	20% of total Tier 1
Tier 2	-	-	-	-	-	638	Tier 2 up to 20% of MCR
Tier 3	23	-	23	(23)	-		Ineligible
Total	66,996	-	66,996	(23)	66,973		
				MCR	3,192		
				Surplus	63,781		
				MCR Coverage	2098%		

Comparison between FRS 101 net equity and Solvency II basic own funds

Following on from Section D, SII basic own funds are calculated in the following table:

	£'000
Excess of assets over liabilities (see Section D)	66,996
SII Basic Own Funds	66,996

SCR and MCR

At 31 December 2018 RSA Re's SCR was £7,867 and the MCR £3,192.

Movements in the SCR

There were no material movements in the SCR over the period.

Movements in the MCR

There were no material movements in the MCR over the period.

Non-compliance with the MCR and non-compliance with the SCR

RSA Re has been fully compliant with its SCR and MCR during the reporting period.

Appendix 4. The Marine Insurance Company Limited Solo SFCR Sections

Summary

The principal activity of The Marine Insurance Company Limited (“MIC”) is the writing of direct marine, aviation, transport and renewable energy insurance business in the United States. In 2018 MIC also started to write wholesale international property insurance business.

With effect from 1 January 2012, MIC transferred all its insurance risk to RSAI under a quota share reinsurance agreement. Under this agreement, MIC receives a reinsurance commission which is determined by reference to written premium.

The Group SFCR meets the regulatory requirement for public disclosure in respect of RSAI, RSA Re and MIC. As mentioned in the introduction in the Group SFCR, RSAI, RSA Re and MIC are legal entities meeting all regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the RSA Group as a whole.

A. Business and Performance

MIC is the Group vehicle for the writing of specialty insurance business, including marine, transport, construction and engineering and renewable energy United States surplus line risks. MIC is registered with the United States National Association of Insurance Commissioners as an eligible surplus lines alien insurer in the forty-nine States where such registration is required. The registration is renewed annually following authorisation by the MIC Board. The actual underwriting is done by London based personnel. In those States where certain classes of non-admitted business, such as marine, are exempt from the surplus lines regulations, the business is written by RSAI. MIC is also subject to financial regulation and is authorised and supervised by the PRA and FCA. The main insurance regulation covering MIC is the PRA handbook, including the body of European law, regulation, and guidelines known as SII, which became effective on 1 January 2016.

Having sold its interest in Global Aerospace Underwriting Managers Limited, RSAI withdrew from the Global Aerospace pool, effective from 31 December 2003. As part of this transaction, MIC agreed to provide fronting services to other Global Aerospace pool members. This arrangement ceased effective 31 December 2008 and so exposure relates only to business in run off.

With effect from 1 January 2012, MIC entered into an excess of loss agreement and a quota share arrangement with RSAI under which the insurance risk of MIC's business is transferred to RSAI. The excess of loss reinsurance covers business written pre-2012, while the 100% quota share arrangement has applied to business written since the beginning of 2012. The risks arising from these arrangements are discussed below. MIC receives a commission of 36.5% in relation to the quota share arrangement which is determined by reference to the gross written premium of the business.

MIC has no direct employees; all services necessary for the above activity being provided by RSAI under a Master Services Agreement and an Internal Model Services Agreement.

Business strategy

MIC has adopted the Group business strategy which is to be focused, stronger and better. This translates to:

- **Focused** - exploiting leadership positions, focusing on areas where the Group can compete and win
- **Stronger** - building a balanced, diversified and well capitalised business
- **Better** - building a business based on operational excellence and open and transparent communication

Performance information

Section A of this Appendix provides information about the business and performance of MIC, covering in particular the performance from underwriting and investment activities.

Performance figures in Section A of this Appendix have been prepared in accordance with the same accounting standards used for MIC's Annual Report and Accounts. This is United Kingdom Generally Accepted Accounting Practice (UK GAAP).

A.1 Business

A.1.1 Company name & legal form

The Marine Insurance Company Limited (MIC) is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

The Prudential Regulation Authority (PRA) is the authority responsible for prudential supervision of MIC. The contact details of the PRA are in section A.1.2 in the Group SFCR.

A.1.3 External auditor

MIC's external auditor is KPMG LLP. See section A.1.3 in the Group SFCR for contact details.

A.1.4 Holders of qualifying holdings

The sole shareholder is Royal & Sun Alliance Insurance plc.

A.1.5 Position within the Group legal structure

MIC's immediate parent company is Royal & Sun Alliance Insurance plc, a company incorporated in the England and Wales. MIC's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales.

A.1.6 Material related undertakings

MIC has no subsidiaries. See Appendix 1 for a list of all MIC's branches. No branches are material.

A.1.7 Simplified Group structure

See section A.1.7 in the Group SFCR.

A.1.8 Business lines and geographical areas

MIC's material lines of business and the material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
UK & International
Line of businesses – non-life
Marine, Aviation and Transport
Fire and other damage to property
General Liability

A.1.9 Significant events

Nothing to report.

A.2 Underwriting performance

MIC is the Group vehicle for the writing of specialty insurance business, including marine, transport, construction and engineering and renewable energy United States surplus line risks. With effect from 1 January 2012, MIC entered into an excess of loss agreement and a quotashare arrangement with RSAI under which the insurance risk of MIC's business is transferred to RSAI. The excess of loss reinsurance covers business written pre-2012, while the 100% quotashare arrangement has applied to business written since the beginning of 2012. The risks arising from these arrangements are discussed in Section C. MIC receives a commission of 36.5% in relation to the quota share arrangement which is determined by reference to the gross written premium of the business.

General liability: reinsurance quota share commission is not sufficient to offset an increased claims management expenses resulted from higher claims incurred in 2018.

	Net Written Premium		Underwriting Result	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Non-life				
Marine, aviation and transport	-	-	2,014	2,470
Fire and other damage to property	-	-	524	759
General liability	-	-	(106)	(1)
Total material lines of business	-	-	2,432	3,228
Non-material	-	-	-	(1)
Total	-	-	2,432	3,227

A.3 Investment performance

The information in this section of the report is taken from the MIC Annual Report and Accounts.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in MIC's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

	2018 £'000	2017 £'000
Income from available for sale investments	1,061	1,042
Investment management expenses (debt securities)	(1)	(3)
	1,060	1,039

A.3.2 Gains and losses recognised in equity

Unrealised gains/(losses) on other financial instruments classified as available for sale net of tax are as follows:

	2018 £'000	2017 £'000
Debt securities and other fixed income securities	(51)	71

A.3.3 Investments in securitisation

MIC has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

MIC did not employ anyone during the period (2017: none). All administrative duties are performed by employees of RSAI at a cost to MIC of £1,328,000 (2017: £1,512,000).

A.4.2 Operating and finance leasing arrangements

MIC has no material operating or finance leases.

B. System of Governance

B.1 General information on the system of governance

The purpose of the Corporate Governance Framework is to specify how MIC meets its legislative and regulatory governance requirements, enabling effective and efficient decision making by the MIC Board.

The MIC Board is accountable to stakeholders for the creation and delivery of strong sustainable performance and the creation of long term shareholder value. The MIC Board meets frequently and is responsible for organising and directing the affairs of the company in a manner that will promote the success of MIC and is consistent with good corporate governance practice, ensuring that in carrying out its duties MIC and the Group meet legal and regulatory requirements.

The MIC Board of Directors oversees the business of the company and exercises fiduciary responsibility. It may exercise all the powers of the company subject to the Articles of Association, the MIC Board's Terms of Reference, relevant laws, and any directions as may be given by its shareholder, RSAI, in general meetings by shareholder resolution. The directors of MIC are all senior employees of RSAI. In their capacity as directors of MIC they have access to the services and advice of the Group Chief Legal Officer and Company Secretary, Company Secretariat, the Internal Audit function, the Compliance function, the Risk function, and the Actuarial function. In addition, directors may take independent professional advice at the expense of MIC in furtherance of their duties.

The MIC Board's Terms of Reference set out matters which are reserved for MIC's Board and those matters which are above the delegated authority which must be referred to the shareholder for approval.

There is a standing agenda of items for MIC Board meetings, the contents of which are continually refreshed. All decisions are documented by Group Secretariat. The MIC Board reviews MIC's financial performance through regular reports, including quarterly capital updates, and presentations on actual performance against plan and previous financial year. The MIC Board's Terms of Reference require approval of the outsourcing of the key governance functions and critical functions and important activities at least annually, and the MIC Board's review of their performance.

Effectiveness of the MIC Board

The MIC Board has implemented an effectiveness review process which is undertaken annually to ensure that the MIC Board is operating effectively.

Changes during 2018

There have been no material changes to MIC's system of governance during reporting period. Some changes have however been made and these include the introduction of the Senior Managers & Certification Regime and associated Responsibilities Map.

Key governance functions

All of the key governance functions have been outsourced to RSAI. The MIC Board's Terms of Reference require the key governance functions to be adequately resourced.

The MIC Board's Terms of Reference explicitly note the right of the heads of the key governance functions to have direct access to the MIC Board at all times and for a private meeting with the directors.

Remuneration

MIC has adopted the Group remuneration framework and aligns to general principles and standards set by the Group. These are contained in the Group Remuneration Policy.

MIC's directors receive no remuneration for their services as directors of this company. They receive remuneration for their services to the Group as a whole.

Shareholder/Board transactions

There are no material transactions to report.

B.2 Fit and proper requirements

The Group Fitness and Propriety Policy provides a single framework for assessment of fitness and propriety of both new and on-going appointees within its scope. The Policy applies to the Executive management, key governance functions, and the directors. RSAI, the service provider, applies the Group Fitness and Propriety Policy.

See section B.2 within the Group SFCR for details of the Group fit and proper requirements.

B.3 Risk management system including the own risk and solvency assessment

MIC has outsourced its risk management system to RSAI, which has adopted the Group risk management system. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

MIC has outsourced its internal control system to RSAI, which has adopted the Group Internal Control System. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

See section B.5 within the Group SFCR for details of the Group's Internal Audit function.

This approach is applied to the plans for MIC. GIA provides both its audit plans and quarterly updates on progress against plans, the outcomes of its work and progress against issues to the MIC Board.

B.6 Actuarial function

MIC operates within the same risk appetite and operational control environments as RSAI. Much of the scope of the actuarial function is hence covered by RSAI and the Group actuarial function documentation.

On an annual basis, the MIC actuarial function holder (the UK Actuarial Director) produces actuarial function reports summarising the key conclusions of the actuarial function's work covering MIC and these are presented to the MIC Board.

See section B.6 within the Group SFCR for details of the Group's actuarial function.

B.7 Outsourcing

MIC has no employees and has outsourced all of its operations to its immediate parent company, RSAI. RSAI provides all services to MIC, including the key governance functions and activities deemed critical and important.

B.8 Any other information

Nothing to report.

C. Risk Profile

MIC has outsourced its risk management system to RSAI, which has adopted the Group risk management system.

Material issues are escalated to the MIC Board by the Group Corporate Centre and UK & International Risk Committees. This information is a combination of data from the UK risk profile and more granular Commercial and Marine risk profiles. The risks are a combination of the relevant Group risks and additional material risks specific to MIC. In this way, the MIC Board is able to oversee and control the activities of its business.

The remainder of this section outlines the key risks applicable to MIC's business. Other risks, for example, investment risk, are managed by RSAI in its capacity as the service provider. For full risk profile details, see Section C in the Group SFCR, which sets out the Group's risk profile. Liquidity risk concentrations are considered immaterial for MIC. At 31 December 2018 MIC's EPIFP was nil. MIC is not exposed to pension risk.

Underwriting risk

The principal underwriting risks relate to inadequate pricing; insufficient reserves, and larger than expected claims are mitigated by the 100% quota share agreement with respect to business written after 1 January 2012, and the excess of loss reinsurance with respect to pre-2012 business which transfers the crystallisation risk onto RSAI. This gives rise to a credit risk in respect of RSAI, as discussed below.

The excess of loss policy covers all direct expenses and costs relating to a claim net of any recoveries. It continues in effect until all liabilities in relation to policies written to inception prior to 1 January 2012 are extinguished. However, MIC can terminate the excess of loss reinsurance in the event that RSAI's credit rating falls below an A-rating. As all underwriting risk is reinsured back to RSAI under the aggregate excess of loss reinsurance and quota share agreement, and operational loss is negated by the outsourcing contract, the greatest potential for a material loss lies in the crystallisation of the credit risk exposure to RSAI.

Credit risk

The principal risk to MIC is its credit risk exposure to RSAI, and in the event of the failure of RSAI, the negation of the reinsurance protection and ceded insurance. The risk of the excess of loss policy is mitigated by MIC holding the premium for the reinsurance policy in a funds withheld account and netting off sums owed by RSAI under the excess of loss policy against it. The MIC Board pays close attention to the creditworthiness of RSAI and has the option not to extend the quota share agreement.

Operational risk

MIC is exposed to the following risks as described for the Group in section C.5.3 in the Group SFCR:

- Legal/Legislative Non-Compliance
- Inappropriate Underwriting
- Regulatory Breach

The Master Services Agreement combined with the quota share arrangement and excess of loss reinsurance mitigate most of the operational risks. However, MIC is exposed to regulatory risk in respect of changes in its operating environment (which it cannot mitigate) or breaches of regulation/failure to renew licences. The latter is controlled through a combination of Group Corporate Centre functions. The risk of failing to maintain sufficient regulatory capital or meet United States trust fund requirements is controlled through careful monitoring and reporting to the MIC Board.

As there are limited residual risks within MIC, the impact of operational risk is minimal and a detailed sensitivity analysis has not been deemed necessary.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with the accounting standard used for MIC's Annual Report and Accounts: UK GAAP. However, there are no differences in valuation principles between IFRS (used for the Group's valuation) and UK GAAP (Financial Reporting Standard (FRS) 101), so all basis of preparation descriptions referring to IFRS in Section D.1 in the Group SFCR apply equally to MIC. For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of MIC's Annual Report and Accounts.

MIC has no retirement benefit obligations, owns no property, has no derivative instruments and has no subordinated debt.

MIC SII balance sheet

	Statutory accounts value £'000	Reclass- ification £'000	SII valuation adjustments £'000	Solvency II value £'000
Deferred tax assets	34	-	-	34
Investments (other than assets held for index-linked and unit-linked contracts)	33,629	775	-	34,404
<i>Bonds</i>	33,629	250	-	33,879
<i>Collective Investments Undertakings</i>	-	525	-	525
Loans and mortgages	-	17,150	-	17,150
Reinsurance recoverables	44,410	78,900	(11,925)	111,385
Insurance and reinsurance receivables	12,535	1,760	(11,420)	2,875
Receivables (trade, not insurance)	15,058	59,808	10,559	85,425
Cash and cash equivalents	404	3,680	-	4,084
Assets of operations classified as held for sale	81,836	(81,836)	-	-
Any other assets, not elsewhere shown	6,649	(6,649)	-	-
Total assets	194,555	73,588	(12,786)	255,357
Technical provisions	44,410	78,900	(10,697)	112,613
Provisions other than technical provisions	-	179	-	179
Deposits from reinsurers	-	25,010	-	25,010
Insurance & intermediaries payables	574	1,654	(351)	1,877
Reinsurance payables	1,707	55,339	(502)	56,544
Payables (trade, not insurance)	7,213	313	-	7,526
Liabilities of operations classified as held for sale	81,836	(81,836)	-	-
Any other liabilities, not elsewhere shown	6,368	(5,971)	-	397
Total liabilities	142,108	73,588	(11,550)	204,146
Excess of assets over liabilities	52,447	-	(1,236)	51,211

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax is detailed below:

	Asset £'000	Liability £'000
Deferred tax assets/liabilities	34	-

The following are the major deferred tax assets and liabilities recognised by MIC:

	£'000
Net unrealised loss on investments	30
Provisions and other temporary differences	4
Net deferred tax position at 31 December	34

The utilisation of MIC's net deferred tax assets of £34,000 is largely dependent on the availability of future taxable profits. The evidence for the future taxable profits is a forecast consistent with the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge by senior management and the MIC Board. Additional assurance is obtained from the recognition of deferred tax for IFRS purposes by the UK group of companies being subject to discussion and challenge by the Group Audit Committee and Group auditors. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those in the plans.

No deferred tax has been recognised in respect of £1,230,000 of SII adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

The procedure for providing SII deferred tax figures for MIC utilises a walkthrough bridge from the figures reported on an FRS 101 basis in the MIC's Annual Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the SII balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and SII guidance.

D.2 Technical provisions

MIC is a net nil entity in which the gross provisions are fully reinsured within the Group. For this reason the statutory account values are small and the differences seen between the net SII technical provisions and the FRS 101 reserves are due to the allowance for reinsurance default within the technical provisions and the associated risk margin.

		SII Net technical provisions		Statutory accounts	Difference
		Best estimate	Risk margin	value	
		£'000	£'000	£'000	£'000
Direct business and accepted proportional reinsurance	Marine, aviation and transport	56	6	-	62
	Fire and other damage to property	146	9	-	155
	General liability	844	167	-	1,011
TOTAL		1,046	182	-	1,228

D.3 Other liabilities

Nothing to report.

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include certain debt and equity securities.

The assets and liabilities for this entity are managed and valued in the same way as for the Group, therefore see Section D of the Group SFCR for a description of the valuation techniques used and how they are assessed. Also refer to Note 26 of the Group Annual Report and Accounts for further details of the valuation methods and assumptions used when valuing such instruments.

There are no differences between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for UK GAAP reporting.

E. Capital Management

Information on capital management, which is carried out at the Group level, is contained in Section E within the Group SFCR.

Capital composition

The capital structure of MIC by tier as at 31 December 2018 is as per the table below. MIC does not include any subordinated liabilities in its Basic Own funds.

		2018 £'000	2017 £'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	22,334	22,334
	Reconciliation reserve	28,843	25,743
		51,177	48,077
Tier 1 Restricted		-	-
Tier 2		-	-
Tier 3		34	27
Total Available Own Funds		51,211	48,104

Basic own funds to eligible own funds

A basic own funds to eligible own funds to cover the SCR reconciliation for MIC is shown below. No capital is deemed to be non-available to meet the SCR within MIC's own funds.

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	51,177	-	51,177	-	51,177		
Tier 1 (R)	-	-	-	-	-	12,794	20% of total Tier 1
Tier 2	-	-	-	-	-	4,540	Tier 2 + Tier 3 up to 50% of SCR
Tier 3	34	-	34	-	34		
Total	51,211	-	51,211	-	51,211		

SCR	9,079
Surplus	42,132
SCR Coverage	564%

Eligible own funds to cover the MCR

A basic own funds to eligible own funds to cover the MCR reconciliation for MIC is shown below:

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	51,177	-	51,177	-	51,177		
Tier 1 (R)	-	-	-	-	-	12,794	20% of total Tier 1
Tier 2	-	-	-	-	-	656	Tier 2 up to 20% of MCR
Tier 3	34	-	34	(34)	-		Ineligible
Total	51,211	-	51,211	(34)	51,177		
				MCR	3,281		
				Surplus	47,896		
				MCR Coverage	1560%		

Comparison between FRS 101 net equity and SII basic own funds

Following on from Section D, SII basic own funds are calculated in the following table:

	£'000
Excess of assets over liabilities (see Section D)	51,211
SII Basic Own Funds	51,211

SCR and MCR

At 31 December 2018 MIC's SCR was £9,079 and the MCR £3,281.

Movements in the SCR

There were no material movements in the SCR over the period.

Movements in the MCR

There were no material movements in the MCR over the period.

Non-compliance with the MCR and non-compliance with the SCR

MIC has been fully compliant with its SCR and MCR during the reporting period.

Appendix 5. Directors' Statements in respect of the SFCR

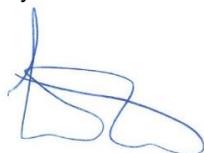
RSA Insurance Group plc

The directors are responsible for ensuring that the Group SFCR has been properly prepared in all material respects in accordance with the PRA Rules and the SII Regulations.

The directors are satisfied that:

- throughout the financial year to 31 December 2018, the Group has complied in all material respects with the requirements of the PRA Rules and the SII Regulations as applicable at the level of the Group
- it is reasonable to believe that, in respect of the period from 31 December 2018 to the date of publication of the SFCR, the Group has continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2019.

By order of the Board,



Stephen Hester

Group Chief Executive

Royal & Sun Alliance Insurance plc, Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited

The directors are responsible for ensuring that the relevant content of the SFCR has been properly prepared in all material respects in accordance with the PRA Rules and the SII Regulations.

The directors are satisfied that:

- throughout the financial year to 31 December 2018, the insurers have complied in all material respects with the requirements of the PRA Rules and the SII Regulations as applicable to the insurer
- it is reasonable to believe that, in respect of the period from 31 December 2018 to the date of publication of the SFCR, the insurers have continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2019.

By order of the Board,



Nathan Williams

Director

Appendix 6. KPMG Audit Report

Report of the external independent auditor to the Directors of RSA Insurance Group plc (‘the Group’), Royal & Sun Alliance Insurance plc (‘RSAI’), Royal & Sun Alliance Reinsurance Limited (‘RSA Re’) and The Marine Insurance Company Limited (‘MIC’) pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Group, RSAI, RSA Re and MIC as at 31 December 2018:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report as at 31 December 2018 (**‘the Narrative Disclosures subject to audit’**); and
- Group templates S.02.01.02, S.23.01.22, S.32.01.22 for the Group and Solo templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.28.01.01 for RSAI, RSA Re and MIC (**‘the Templates subject to audit’**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **‘Relevant Elements of the Group Solvency and Financial Condition Report’**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- information contained within the Relevant Elements of the Group Solvency and Financial Condition Report set out above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report
- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ sections of the Group Solvency and Financial Condition Report;
- Group templates S.05.01.02, S.05.02.01, S.25.02.22, S.25.03.22
Company templates S.05.01.02, S.05.02.01, S.19.01.21, S.25.01.21, S.25.02.21, S.25.03.21, S.28.02.01 for RSAI, RSA Re and MIC;
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**‘the Responsibility Statement’**);
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with the PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations (**‘the sectoral information’**).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Group, RSAI, RSA Re and MIC as at 31st December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have

fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the Valuation for solvency purposes and Capital Management sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other Information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is 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 for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it they based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the relevant elements of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Other Matter

The Group, RSAI, RSA Re and MIC have authority to calculate the Group and Solo Solvency Capital Requirements using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the application or approval order obtained by RSAI, RSA Re and MIC.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the **sectoral information** has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

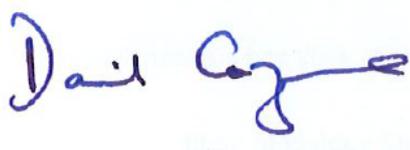
Other information

In accordance with Rule 4.1 (3) of the External Audit part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Group, RSAI, RSA Re and MIC statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

This report of the external auditor is made solely to the Directors of the Group, RSAI, RSA Re and MIC, as their governing bodies, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the Directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, RSAI, RSA Re and MIC through their governing bodies, for our audit, for this report, or for the opinions we have formed.



Daniel Cazeaux for and on behalf of KPMG LLP

KPMG UK LLP
15 Canada Square
London
E14 5GL
11 April 2019

- The maintenance and integrity of the Group website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Group internal model

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
 - Row R0550: Technical provisions - non-life (excluding health) - risk margin
 - Row R0590: Technical provisions - health (similar to non-life) - risk margin
 - Row R0640: Technical provisions - health (similar to life) - risk margin
 - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
 - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of Group template S.22.01.22
 - Column C0030 – Impact of transitional on technical provisions
 - Row R0010 – Technical provisions
 - Row R0090 – Solvency Capital Requirement
- The following elements of Group template S.23.01.22
 - Row R0020: Non-available called but not paid in ordinary share capital at group level
 - Row R0060: Non-available subordinated mutual member accounts at group level
 - Row R0080: Non-available surplus at group level
 - Row R0100: Non-available preference shares at group level
 - Row R0120: Non-available share premium account related to preference shares at group level
 - Row R0150: Non-available subordinated liabilities at group level
 - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
 - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
 - Row R0210: Non-available minority interests at group level
 - Row R0380: Non-available ancillary own funds at group level
 - Rows R0410 to R0440 – Own funds of other financial sectors
 - Row R0680: Group SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
 - Row R0750: Other non available own funds
- Elements of the Narrative Disclosures related to SCR in sections D&E are not subject to audit and are identified in the introductory paragraphs of these sections.

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo internal model

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
 - Row R0550: Technical provisions - non-life (excluding health) - risk margin
 - Row R0590: Technical provisions - health (similar to non-life) - risk margin
 - Row R0640: Technical provisions - health (similar to life) - risk margin
 - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
 - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of template S.12.01.02
 - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin
 - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.17.01.02

- Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin
- Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
 - Column C0030 – Impact of transitional measure on technical provisions
 - Row R0010 – Technical provisions
 - Row R0090 – Solvency Capital Requirement
- The following elements of template S.23.01.01
 - Row R0580: SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01 / S.28.02.01
 - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

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Appendix 7. Abbreviations and Terms used in this Report

Abbreviation	Description
AGM	Annual General Meeting
AOF	Ancillary Own Funds
BRC	Board Risk Committee
CAA	Commissariat aux Assurances
CAU	Central Accounting Unit
COR	Combined Operating Ratio
DA	Delegated Act, i.e. Solvency II Delegated Regulation 2015/35
DIFC	Dubai International Financial Centre
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ENIDs	Events Not In Data
EPIFP	Expected Profit in Future Premiums
EU	European Union
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
GDPR	General Data Protection Regulation
GIA	Group Internal Audit
GL Valuation	EIOPA-BoS-15/113 EN Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions
IAS	International Accounting Standards
ICS	Internal Control System
IFRS	International Financial Reporting Standards
IMGC	Internal Model Governance Committee
LIBOR	London InterBank Offered Rate
MIC	The Marine Insurance Company
MCR	Minimum Capital Requirement

Abbreviation	Description
MSCR	Minimum consolidated group Solvency Capital Requirement
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
QRT LOG	Guidance as extracted from Solvency II Implementing Technical Standard on reporting – Regulation 2015/2450 and Solvency II Implementing Technical Standard on public disclosure – Regulation 2015/2452
RMS	Risk Management System
RSAI	Royal & Sun Alliance Insurance
RSA Re	Royal & Sun Alliance Reinsurance
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SLT	Similar to Life Techniques
UK GAAP	United Kingdom Generally Accepted Accounting Practice

The terms *financial statement*, *statement of financial position*, *income statement*, *profit and loss account* and *other comprehensive income* used in this report refer to information presented in the Annual Reports and Accounts for the Group, RSAI, RSA Re and MIC. This has been prepared according to IFRS for the Group and UK GAAP for RSAI, RSA Re and MIC. Refer to the relevant Annual Report and Accounts for details.

Appendix 8. Quantitative Reporting Templates (QRTs)

This Appendix contains the following QRTs:

Entity	QRT Reference	QRT Name
Group	S.02.01.02	Group balance sheet
Group	S.05.01.02	Group premiums, claims and expenses by line of business
Group	S.05.02.01	Group premiums, claims & expenses by country
Group	S.23.01.22	Group own funds
Group	S.25.03.22	Solvency capital requirement - for groups on full internal models
Group	S.32.01.22	Undertakings in the scope of the group
RSAI	S.02.01.02	Balance sheet
RSAI	S.05.01.02	Premiums, claims and expenses by line of business
RSAI	S.05.02.01	Premiums, claims & expenses by country
RSAI	S.12.01.02	Life and health SLT technical provisions
RSAI	S.17.01.02	Non-life technical provisions
RSAI	S.19.01.21	Non-life insurance claims Information
RSAI	S.23.01.01	Own funds
RSAI	S.25.03.21	Solvency capital requirement - for undertakings on full internal models
RSAI	S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity
RSA Re	S.02.01.02	Balance sheet
RSA Re	S.05.01.02	Premiums, claims and expenses by line of business
RSA Re	S.05.02.01	Premiums, claims & expenses by country
RSA Re	S.17.01.02	Non-life technical provisions
RSA Re	S.19.01.21	Non-life insurance claims information
RSA Re	S.23.01.01	Own funds
RSA Re	S.25.03.21	Solvency capital requirement - for undertakings on full internal models
RSA Re	S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity
MIC	S.02.01.02	Balance sheet
MIC	S.05.01.02	Premiums, claims and expenses by line of business
MIC	S.05.02.01	Premiums, claims & expenses by country
MIC	S.17.01.02	Non-life technical provisions
MIC	S.19.01.21	Non-life insurance claims information
MIC	S.23.01.01	Own funds
MIC	S.25.03.21	Solvency capital requirement - for undertakings on full internal models
MIC	S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity

There is nothing to report for the Group for QRT S.22.01.22 (Impact of long term guarantees and transitional measures).

There is nothing to report for RSAI, RSA Re or MIC for QRT S.22.01.21 (Impact of long term guarantees and transitional measures).

There is nothing to report for RSA Re or MIC for QRT S.12.01.02 (Life and health SLT technical provisions).

All monetary amounts are shown in thousands of pounds (£000's) in all QRTs.

RSA Insurance Group plc
S.02.01.02
Balance sheet

	Solvency II value
	C0010
	£'000
Assets	
Intangible assets	R0030 -
Deferred tax assets	R0040 244,084
Pension benefit surplus	R0050 259,034
Property, plant & equipment held for own use	R0060 50,116
Investments (other than assets held for index-linked and unit-linked contracts)	R0070 12,036,859
Property (other than for own use)	R0080 309,793
Holdings in related undertakings, including participations	R0090 145,843
Equities	R0100 390,930
Equities - listed	R0110 385,321
Equities - unlisted	R0120 5,609
Bonds	R0130 10,105,552
Government Bonds	R0140 4,025,424
Corporate Bonds	R0150 5,158,090
Structured notes	R0160 -
Collateralised securities	R0170 922,038
Collective Investments Undertakings	R0180 657,424
Derivatives	R0190 67,403
Deposits other than cash equivalents	R0200 359,914
Other investments	R0210 -
Assets held for index-linked and unit-linked contracts	R0220 -
Loans and mortgages	R0230 246,951
Loans on policies	R0240 -
Loans and mortgages to individuals	R0250 1,831
Other loans and mortgages	R0260 245,120
Reinsurance recoverables from:	R0270 2,154,133
Non-life and health similar to non-life	R0280 2,066,345
Non-life excluding health	R0290 2,055,173
Health similar to non-life	R0300 11,172
Life and health similar to life, excluding health and index-linked and unit-linked	R0310 87,788
Health similar to life	R0320 -
Life excluding health and index-linked and unit-linked	R0330 87,788
Life index-linked and unit-linked	R0340 -
Deposits to cedants	R0350 171
Insurance and intermediaries receivables	R0360 262,845
Reinsurance receivables	R0370 67,144
Receivables (trade, not insurance)	R0380 177,329
Own shares (held directly)	R0390 507
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400 -
Cash and cash equivalents	R0410 443,397
Any other assets, not elsewhere shown	R0420 95,795
Total assets	R0500 16,038,365

	Solvency II value
	C0010
	£'000
Liabilities	
Technical provisions – non-life	R0510 10,206,158
Technical provisions – non-life (excluding health)	R0520 8,883,080
TP calculated as a whole	R0530 -
Best Estimate	R0540 8,468,999
Risk margin	R0550 414,081
Technical provisions - health (similar to non-life)	R0560 1,323,078
TP calculated as a whole	R0570 -
Best Estimate	R0580 1,231,651
Risk margin	R0590 91,427
Technical provisions - life (excluding index-linked and unit-linked)	R0600 1,012,919
Technical provisions - health (similar to life)	R0610 242,178
TP calculated as a whole	R0620 -
Best Estimate	R0630 227,864
Risk margin	R0640 14,314
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650 770,741
TP calculated as a whole	R0660 -
Best Estimate	R0670 677,480
Risk margin	R0680 93,261
Technical provisions – index-linked and unit-linked	R0690 -
TP calculated as a whole	R0700 -
Best Estimate	R0710 -
Risk margin	R0720 -
Contingent liabilities	R0740 1,702
Provisions other than technical provisions	R0750 71,209
Pension benefit obligations	R0760 70,421
Deposits from reinsurers	R0770 49,100
Deferred tax liabilities	R0780 30,079
Derivatives	R0790 109,538
Debts owed to credit institutions	R0800 118,533
Financial liabilities other than debts owed to credit institutions	R0810 -
Insurance & intermediaries payables	R0820 73,375
Reinsurance payables	R0830 39,201
Payables (trade, not insurance)	R0840 383,266
Subordinated liabilities	R0850 459,897
Subordinated liabilities not in BOF	R0860 8,684
Subordinated liabilities in BOF	R0870 451,213
Any other liabilities, not elsewhere shown	R0880 379,692
Total liabilities	R0900 13,005,090
Excess of assets over liabilities	R1000 3,033,275

RSA Insurance Group plc
S.05.01.02

Premiums, claims and expenses by line of business

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)										
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written										
Gross - Direct Business	R0110	369,756	357,476	68,658	1,477,014	968,482	431,453	2,795,145	590,871	532
Gross - Proportional reinsurance accepted	R0120	-	-	-	559	240	22,830	166,944	21,372	-
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	3,134	1,123	52	268,901	103,767	82,130	467,570	55,739	287
Net	R0200	366,622	356,353	68,606	1,208,672	864,955	372,153	2,494,519	556,504	245
Premiums earned										
Gross - Direct Business	R0210	380,801	348,143	68,894	1,511,105	980,478	445,337	2,801,140	588,678	532
Gross - Proportional reinsurance accepted	R0220	-	-	-	542	233	22,630	166,948	21,920	-
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	3,112	1,130	52	317,164	130,585	70,644	396,324	57,173	287
Net	R0300	377,689	347,013	68,842	1,194,483	850,126	397,323	2,571,764	553,425	245
Claims incurred										
Gross - Direct Business	R0310	219,574	179,921	(9,618)	933,491	673,837	382,132	1,710,583	237,349	(678)
Gross - Proportional reinsurance accepted	R0320	-	-	-	732	312	8,278	94,637	(8,915)	-
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	1,298	345	-	202,861	121,640	69,972	129,497	29,570	(46)
Net	R0400	218,276	179,576	(9,618)	731,362	552,509	320,438	1,675,723	198,864	(632)
Changes in other technical provisions										
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430									
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-	-
Expenses incurred	R0550	145,442	66,928	14,118	464,491	261,254	136,671	1,047,875	223,845	353
Other expenses	R1200									
Total expenses	R1300									

RSA Insurance Group plc
S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written									
Gross - Direct Business	R0110	9,702	80,874	79,964					7,229,927
Gross - Proportional reinsurance accepted	R0120	-	-	10					211,955
Gross - Non-proportional reinsurance accepted	R0130				-	-	247	(356)	(109)
Reinsurers' share	R0140	-	127	14,092	-	-	247	127	997,296
Net	R0200	9,702	80,747	65,882	-	-	-	(483)	6,444,477
Premiums earned									
Gross - Direct Business	R0210	8,634	76,152	80,405					7,290,299
Gross - Proportional reinsurance accepted	R0220	-	-	5					212,278
Gross - Non-proportional reinsurance accepted	R0230				-	-	247	125	372
Reinsurers' share	R0240	-	127	13,929	-	-	247	466	991,240
Net	R0300	8,634	76,025	66,481	-	-	-	(341)	6,511,709
Claims incurred									
Gross - Direct Business	R0310	4,826	47,452	38,330					4,417,199
Gross - Proportional reinsurance accepted	R0320	-	-	-					95,044
Gross - Non-proportional reinsurance accepted	R0330				-	5,485	(111)	(3,423)	1,951
Reinsurers' share	R0340	-	-	250	-	-	1,250	(2,200)	554,437
Net	R0400	4,826	47,452	38,080	-	5,485	(1,361)	(1,223)	3,959,757
Changes in other technical provisions									
Gross - Direct Business	R0410	-	-	-					-
Gross - Proportional reinsurance accepted	R0420	-	-	-					-
Gross - Non-proportional reinsurance accepted	R0430				-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-
Expenses incurred	R0550	2,792	30,172	25,246	-	49	(49)	(49)	2,419,138
Other expenses	R1200								26,224
Total expenses	R1300								2,445,362

RSA Insurance Group plc
S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written										
Gross	R1410	-	-	-	25,260	-	-	-	-	25,260
Reinsurers' share	R1420	-	-	-	16	-	-	-	-	16
Net	R1500	-	-	-	25,244	-	-	-	-	25,244
Premiums earned										
Gross	R1510	-	-	-	24,873	-	-	-	-	24,873
Reinsurers' share	R1520	-	-	-	16	-	-	-	-	16
Net	R1600	-	-	-	24,857	-	-	-	-	24,857
Claims incurred										
Gross	R1610	-	-	-	14,175	43,303	14,757	-	-	72,235
Reinsurers' share	R1620	-	-	-	-	-	(630)	-	-	(630)
Net	R1700	-	-	-	14,175	43,303	15,387	-	-	72,865
Changes in other technical provisions										
Gross	R1710	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	-	4,435	2,756	179	-	-	7,370
Other expenses	R2500									15,773
Total expenses	R2600									23,143

RSA Insurance Group plc

S.05.02.01

Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010	CA	SE	DK	IE	AE		
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	2,677,782	1,741,701	1,062,206	621,720	307,865	156,123	6,567,397
Gross - Proportional reinsurance accepted	R0120	763	890	2,095	(2)	-	1,673	5,419
Gross - Non-proportional reinsurance accepted	R0130	(390)	-	34	247	-	-	(109)
Reinsurers' share	R0140	639,721	109,020	13,162	22,775	21,265	24,057	830,000
Net	R0200	2,038,434	1,633,571	1,051,173	599,190	286,600	133,739	5,742,707
Premiums earned								
Gross - Direct Business	R0210	2,802,926	1,696,297	1,032,119	625,734	301,722	161,129	6,619,927
Gross - Proportional reinsurance accepted	R0220	111	885	1,802	107	-	1,622	4,527
Gross - Non-proportional reinsurance accepted	R0230	91	-	34	247	-	-	372
Reinsurers' share	R0240	625,544	105,573	14,663	27,319	21,163	25,317	819,579
Net	R0300	2,177,584	1,591,609	1,019,292	598,769	280,559	137,434	5,805,247
Claims incurred								
Gross - Direct Business	R0310	1,765,048	988,400	568,325	428,030	150,303	80,168	3,980,274
Gross - Proportional reinsurance accepted	R0320	(21,427)	(6)	(11,292)	(6,302)	-	1,271	(37,756)
Gross - Non-proportional reinsurance accepted	R0330	2,044	-	1	(94)	-	-	1,951
Reinsurers' share	R0340	418,397	17,029	(3,386)	4,953	(6,128)	23,169	454,034
Net	R0400	1,327,268	971,365	560,420	416,681	156,431	58,270	3,490,435
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	1,028,276	646,409	211,793	170,942	102,629	55,221	2,215,270
Other expenses	R1200							26,294
Total expenses	R1300							2,241,564

RSA Insurance Group plc

S.05.02.01

Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country	
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400		CA	SE	DK	IE	AE		
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross	R1410	-	-	19,197	(28)	-	-	19,169
Reinsurers' share	R1420	-	-	16	-	-	-	16
Net	R1500	-	-	19,181	(28)	-	-	19,153
Premiums earned								
Gross	R1510	-	-	18,751	(16)	-	-	18,735
Reinsurers' share	R1520	-	-	16	-	-	-	16
Net	R1600	-	-	18,735	(16)	-	-	18,719
Claims incurred								
Gross	R1610	10,753	-	10,638	43,356	-	-	64,747
Reinsurers' share	R1620	(630)	-	-	-	-	-	(630)
Net	R1700	11,383	-	10,638	43,356	-	-	65,377
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	2,805	2,776	-	-	5,581
Other expenses	R2500							15,773
Total expenses	R2600							21,354

RSA Insurance Group plc
S.23.01.22
Own funds

Basic own funds before deduction for participations in other financial sector

Ordinary share capital (gross of own shares)
 Non-available called but not paid in ordinary share capital at group level
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
 Subordinated mutual member accounts
 Non-available subordinated mutual member accounts at group level
 Surplus funds
 Non-available surplus funds at group level
 Preference shares
 Non-available preference shares at group level
 Share premium account related to preference shares
 Non-available share premium account related to preference shares at group level
 Reconciliation reserve
 Subordinated liabilities
 Non-available subordinated liabilities at group level
 An amount equal to the value of net deferred tax assets
 The amount equal to the value of net deferred tax assets not available at the group level
 Other items approved by supervisory authority as basic own funds not specified above
 Non available own funds related to other own funds items approved by supervisory authority
 Minority interests (if not reported as part of a specific own fund item)
 Non-available minority interests at group level

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities

whereof deducted according to art 228 of the Directive 2009/138/EC

Deductions for participations where there is non-availability of information (Article 229)
 Deduction for participations included by using D&A when a combination of methods is used
 Total of non-available own fund items

Total deductions

Total basic own funds after deductions

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0010	1,026,856	1,026,856		-	
R0020	-	-		-	
R0030	1,087,172	1,087,172		-	
R0040	-	-		-	
R0050	-		-	-	-
R0060	-		-	-	-
R0070	-	-			
R0080	-	-			
R0090	125,000		125,000	-	-
R0100	-		-	-	-
R0110	-		-	-	-
R0120	-		-	-	-
R0130	(250,778)	(250,778)			
R0140	451,213		-	451,213	-
R0150	-		-	-	-
R0160	244,084				244,084
R0170	25,000				25,000
R0180	297,159	-	297,159	-	-
R0190	-	-	-	-	-
R0200	147,542	147,542	-	-	-
R0210	147,542	147,542	-	-	-
R0220	-	-			
R0230	-	-	-	-	
R0240	-	-	-	-	-
R0250	-	-	-	-	-
R0260	-	-	-	-	-
R0270	172,542	147,542	-	-	25,000
R0280	172,542	147,542	-	-	25,000
R0290	2,955,706	1,863,250	422,159	451,213	219,084

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Own funds

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Non available ancillary own funds at group level
Other ancillary own funds

Total ancillary own funds

Own funds of other financial sectors

Reconciliation reserve

Institutions for occupational retirement provision
Non regulated entities carrying out financial activities
Total own funds of other financial sectors

Own funds when using the D&A, exclusively or in combination of method 1

Own funds aggregated when using the D&A and combination of method
Own funds aggregated when using the D&A and a combination of method net of IGT

Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total available own funds to meet the minimum consolidated group SCR

Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total eligible own funds to meet the minimum consolidated group SCR

Minimum consolidated group SCR

Ratio of Eligible own funds to Minimum Consolidated Group SCR

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0300	-			-	
R0310	-			-	
R0320	-			-	-
R0350	-				
R0340	-			-	
	-	-	-	-	-
R0360	-			-	
R0370	-			-	-
R0380	-			-	-
R0390	-			-	-
R0400	-			-	-
R0410	-	-	-	-	
R0420	-	-	-	-	-
R0430	-	-	-	-	
R0440	-	-	-	-	
R0450	-	-	-	-	-
R0460	-	-	-	-	-
R0520	2,955,706	1,863,250	422,159	451,213	219,084
R0530	2,736,622	1,863,250	422,159	451,213	
R0560	2,955,706	1,863,250	422,159	451,213	219,084
R0570	2,545,684	1,863,250	422,159	260,275	
R0610	1,301,376				
R0650	195.61%				

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Own funds

Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)
Group SCR
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Reconciliation reserve

- Excess of assets over liabilities
- Own shares (included as assets on the balance sheet)
- Forseeable dividends, distributions and charges
- Other basic own fund items
- Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- Other non available own funds

Reconciliation reserve before deduction for participations in other financial sector

Expected profits

- Expected profits included in future premiums (EPIFP) - Life business
- Expected profits included in future premiums (EPIFP) - Non- life business

Total EPIFP

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0660	2,955,706	1,863,250	422,159	451,213	219,084
R0680	1,742,991				
R0690	169.58%				
	C0060				
	£'000				
R0700	3,033,275				
R0710	507				
R0720	330,674				
R0730	2,927,813				
R0740	-				
R0750	25,059				
R0760	(250,778)				
R0770	1,261	1,261			
R0780	230,425	230,425			
R0790	231,686	231,686			

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Solvency Capital Requirement - for groups on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
£'000		
10000A	Market risk (excluding currency risk) - Expectation	(137,119)
10000B	Market risk (excluding currency risk) - Movement from Expectation	476,187
10900A	Market Risk: Group Currency Risk - Expectation	(28,701)
10900B	Market Risk: Group Currency Risk - Movement from Expectation	232,026
19900B	Diversification within Market Risk	(190,451)
20100A	Credit risk - Expectation	26,713
20100B	Credit risk - Movement from Expectation	133,434
50150A	Total underwriting risk - Expectation	(535,008)
50150B	Total underwriting risk - Movement from Expectation	678,413
50310A	Catastrophe Risk - Expectation	220,237
50310B	Catastrophe Risk - Movement from Expectation	206,395
50210A	Total reserve risk - Expectation	1,836
50210B	Total reserve risk - Movement from Expectation	616,889
59900B	Diversification within Insurance Risk	(507,761)
70100B	Operational risk - Movement from Expectation	290,600
80100A	Other risks (excluding pension risk) - Expectation	283,046
80100B	Other risks (excluding pension risk) - Movement from Expectation	267,726
80110A	Other risks: Pension Risk - Expectation	69,390
80110B	Other risks: Pension Risk - Movement from Expectation	569,899

Calculation of Solvency Capital Requirement

Total undiversified components
Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-ons already set
Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions
Amount/estimate of the overall loss-absorbing capacity of deferred taxes
Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304
Minimum consolidated group solvency capital requirement

C0100	
£'000	
R0110	2,673,751
R0060	(930,760)
R0160	-
R0200	1,742,991
R0210	-
R0220	1,742,991
R0300	-
R0310	-
R0410	-
R0420	-
R0430	-
R0440	-
R0470	1,301,376

Information on other entities

Capital requirement for other financial sectors (Non-insurance capital requirements)
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities
Capital requirement for non-controlled participation requirements
Capital requirement for residual undertakings

C0100	
£'000	
R0500	-
R0510	-
R0520	-
R0530	-
R0540	-
R0550	-

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IE	635400JKBNF9HWETAC12	LEI	123 Money Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	21380027VJ2CNURW2869	LEI	3342484 Canada Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	2138001MSYCK6JSD6442	LEI	8301140 CANADA LIMITED	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
SA	21380029FNRTUGXSMV81	LEI	Al Alamiya for Cooperative Insurance Company	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Saudi Arabian Monetary Agency	25.04%	100.00%	25.04%	Control via intermediate parent undertaking	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138001L7RT95YMKO572	LEI	Alliance Assurance Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800J3CJPW XEB8PF90	LEI	Ascentus Insurance Ltd.	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Office of the Superintendent of Financial Institutions	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	6354002QMLYRFBNBZO30	LEI	Benchmark Underwriting Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800CQKGM29KMWID58	LEI	British Aviation Insurance Company Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	57.10%	100.00%	57.10%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
CA	213800DAGAT2GMPHL60	LEI	Canadian Northern Shield Insurance Company	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Office of the Superintendent of Financial Institutions	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800ANK59AYB612F23GB10045	Specific code	Caunce O'Hara & Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		39.00%	39.00%	39.00%		Significant	0.00%	Included in the scope		Method 1: Adjusted Equity Method
GB	213800ANK59AYB612F23GB10046	Specific code	Centrium Management Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		31.45%	31.45%	31.45%		Significant	0.00%	Included in the scope		Method 1: Adjusted Equity Method
CA	213800SPA9KTDI831S12	LEI	Coast Underwriters Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		85.42%	100.00%	85.42%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
DK	2138007T7FY5937PZZ67	LEI	Codan A/S	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
DK	213800UE8HIN1CBHT615	LEI	Codan Forsikring A/S	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Finanstilsynet	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	2138005VMCTKTHZC5990	LEI	EGI Holdings Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800ANK59AYB612F23GB10058	Specific code	Eurotemp Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		33.33%	33.33%	33.33%		Significant	0.00%	Included in the scope		Method 1: Adjusted Equity Method
DK	213800EKN2D9ACM88N66	LEI	Forsikringselskabet Privatsikring A/S	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Finanstilsynet	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
NL	213800F16Z25G9OTW105	LEI	GDII - Global Direct Insurance Investments V.O.F.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
RU	213800KI2V5HCNSPHG81	LEI	GDII - Rus L.L.C.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
SE	213800KK4S2KUGIZZF60	LEI	Holmia Livförsäkring AB	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Finansinspektionen	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138002JCYMLU0559480	LEI	IDIP Direct Insurance B.V.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GG	213800GEY2IFG43S8671	LEI	Insurance Corporation of the Channel Islands Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Guernsey Financial Services Commission	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GG	213800UBK38YDFB2WZ49	LEI	Insurance Corporation Service Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800XUJQZ6KEFHFFH86	LEI	Intouch Insurance Group B.V.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	21380042J8ALND550995	LEI	Johnson Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	2138001NWJAVDSDI284	LEI	MRM Solutions Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		85.42%	100.00%	85.42%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800XGL4IMC52Y1Z52	LEI	National Vulcan Engineering Insurance Group Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800ZE92UDG3S4ZU46	LEI	Noble Marine (Insurance Brokers) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800QZC3OW1OHKWN33	LEI	Noble Marine (Underwriting Agencies) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	21380093NMZ67LWQUP95	LEI	Non-Destructive Testers Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non-mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800ANK59AYB612F23GB10023	Specific code	Polaris U.K. Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		25.38%	25.38%	25.38%		Significant	0.00%	Included in the scope		Method 1: Adjusted Equity Method
GB	213800ANK59AYB612F23GB10093	Specific code	Punchbowl Park Management Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		65.09%	100.00%	65.09%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800LETW8YVVIKA925	LEI	Quebec Assurance Company	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Office of the Superintendent of Financial Institutions	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800UFWO1FMFYFVJ852	LEI	R&SA Global Network Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		64.00%	100.00%	64.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800TQHQQOE28LBE41	LEI	Roins Financial Services Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
CA	213800WTFVQSB5Q9Y36	LEI	Roins Holding Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800ID98Y7D8MI1X68	LEI	Royal & Sun Alliance Insurance (Global) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
BH	213800E6WDT9WF4OXL64	LEI	Royal & Sun Alliance Insurance (Middle East) BSC (c)	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Bahrain	50.00%	100.00%	50.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
CA	213800QV4791A63PRX56	LEI	Royal & Sun Alliance Insurance Company of Canada	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Office of the Superintendent of Financial Institutions	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800ANK59AYB612F23	LEI	Royal & Sun Alliance Insurance plc	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
BR	213800ANK59AYB612F23BR10110	Specific code	Royal & Sun Alliance Insurance PLC - Escritório de Representação no Brasil Ltda.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
IN	213800ANK59AYB612F23IN10184	Specific code	Royal & Sun Alliance IT Solutions (India) Private Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800YQC2NTZBWKFB71	LEI	Royal & Sun Alliance Pension Trustee Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	2138001DUHCXKJZKBA57	LEI	Royal & Sun Alliance Property Services Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800TWB86O896DND08	LEI	Royal & Sun Alliance Reinsurance Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800FAL75DJ6CVR886	LEI	Royal Insurance (U.K.) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
NL	2138003TXNY2FXNMIL04	LEI	Royal Insurance Global B.V.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
IM	2138003LWV3J4G7RG628	LEI	Royal Insurance Service Company (Isle of Man) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800DXUS819BNLJN46	LEI	Royal International Insurance Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800EQGGJALB1LMV41	LEI	RoySun Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800K981YF86NOVO18	LEI	RSA Accident Repairs Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
IN	213800RZ51278S7GQ681	LEI	RSA Actuarial Services (India) Private Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	21380027C445077BS20	LEI	RSA Finance	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non-mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	549300HOGQ7E0TY86138	LEI	RSA Insurance Group plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		0.00%	0.00%	0.00%		0.00%	0.00%	Included in the scope		0.00%
IM	2138007NQTLNQZQ295	LEI	RSA Isle of Man No.1 Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800QUPYRC4MX7D553	LEI	RSA Law Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		90.00%	100.00%	90.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	2138004LEUAJPN7ZTL31	LEI	RSA Northern Ireland Insurance Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800RIF98KZ1HHHH93	LEI	RSA Overseas (Netherlands) B.V.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800OCAOG1VQXR288	LEI	RSA Overseas Holdings B.V.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
IE	2138004U5LQVDZFC3325	LEI	RSA Reinsurance Ireland Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800EPQUDC86BANO68	LEI	RSA Travel Insurance Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	QG4SWA0CBQ35QV75KU66	LEI	Sal Pension Fund Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800OCAOG1VQXR288CA10152	Specific code	Shaw Sabey & Associates Ltd.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		25.00%	25.00%	25.00%		Significant	0.00%	Included in the scope		Method 1: Adjusted Equity Method
GB	213800YRS9W5SAZAPB68	LEI	Sun Alliance Insurance Overseas Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800R663W5CDREOC48	LEI	Sun Alliance Mortgage Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800D6JMQCD3O7VJ98	LEI	Sun Insurance Office Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800XEBBP5GJ7RB65	LEI	The Globe Insurance Company Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
CA	213800IYHRGE5GBDH474	LEI	The Johnson Corporation	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	21380051JKPJ1VT3RG38	LEI	The London Assurance	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800ZPJG2HWOKG70	LEI	The Marine Insurance Company Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800AW6R54V8AGNX91	LEI	The Sea Insurance Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
IM	213800QHZOGSCX23H28	LEI	Tower Insurance Company Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Isle of Man Financial Services Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
CA	213800T1UY5ARE6W1415	LEI	Unifund Assurance Company	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Office of the Superintendent of Financial Institutions	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
CA	213800MSYL26PPUZFM76	LEI	Unifund Claims Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800GDISB132IA957	LEI	Western Assurance Company	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Office of the Superintendent of Financial Institutions	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800K4XGW6XFT9ZC81	LEI	Westgate Properties Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
SE	213800UE8HIN1CBHT615SE10002	Specific code	CAB Group AB	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		27.30%	27.30%	27.30%		Significant	0.00%	Included in the scope		Method 1: Adjusted Equity Method
US	2138001JNHJUJY652O92	LEI	Royal & Sun Alliance Insurance Agency Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

RSA Insurance Group plc
S.32.01.22
Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IE	635400PUDJ8XTX9SPW67	LEI	RSA Insurance Ireland DAC	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
IE	213800SOY368PRPH9818	LEI	RSA Overseas Holdings (No. 2) Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
IE	2138007UK3VNVV5JQW88	LEI	RSA Overseas Holdings (No 1) Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800MOAG1P5WPBYN70	LEI	Royal Insurance Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
OM	213800FI2PFSFQ4ZDBU69	LEI	Al Ahlia Insurance Company SAOG	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Capital Market Authority	26.25%	100.00%	26.25%	Control via intermediate parent undertaking	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
LU	213800PT2YLSYDVYLA41	LEI	RSA Luxembourg S.A.	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Commissariat aux Assurances	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800HZNBS4V174TQ06	LEI	R&SA Marketing Services Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
GB	21380021T4T3KT7VJ62	LEI	Sun Alliance and London Insurance Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
IE	635400BFCWZIQOMJB05	LEI	RSA Broker Motor Insurance Ireland Ltd	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800859MIZWUBA859	LEI	10122033 Canada Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	2138009E9QDICU2CL210	LEI	10622923 Canada Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800QY2JHTQG6XCJ42	LEI	D.L. Deeks Insurance Services Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800M1YOM7RHNSXSH12	LEI	Deeks Investments Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	213800MOR54KPL9UYA59	LEI	2029974 Ontario Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

Royal & Sun Alliance Insurance plc

S.02.01.02

Balance sheet

	Solvency II value	
	C0010	
	£'000	
Assets		
Intangible assets	R0030	-
Deferred tax assets	R0040	163,697
Pension benefit surplus	R0050	238,843
Property, plant & equipment held for own use	R0060	36,059
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	13,038,813
Property (other than for own use)	R0080	309,334
Holdings in related undertakings, including participations	R0090	8,538,743
Equities	R0100	2,897
Equities - listed	R0110	2,462
Equities - unlisted	R0120	435
Bonds	R0130	3,853,079
Government Bonds	R0140	1,308,090
Corporate Bonds	R0150	2,153,695
Structured notes	R0160	-
Collateralised securities	R0170	391,294
Collective Investments Undertakings	R0180	260,525
Derivatives	R0190	63,137
Deposits other than cash equivalents	R0200	11,098
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	1,182,429
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	1,831
Other loans and mortgages	R0260	1,180,598
Reinsurance recoverables from:	R0270	1,916,238
Non-life and health similar to non-life	R0280	1,831,942
Non-life excluding health	R0290	1,831,577
Health similar to non-life	R0300	365
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	84,296
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	84,296
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	149,610
Insurance and intermediaries receivables	R0360	156,157
Reinsurance receivables	R0370	54,019
Receivables (trade, not insurance)	R0380	668,364
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	98,515
Any other assets, not elsewhere shown	R0420	43,360
Total assets	R0500	17,746,104

	Solvency II value	
	C0010	
	£'000	
Liabilities		
Technical provisions – non-life	R0510	5,552,643
Technical provisions – non-life (excluding health)	R0520	5,516,477
TP calculated as a whole	R0530	-
Best Estimate	R0540	5,314,928
Risk margin	R0550	201,549
Technical provisions - health (similar to non-life)	R0560	36,166
TP calculated as a whole	R0570	-
Best Estimate	R0580	34,438
Risk margin	R0590	1,728
Technical provisions - life (excluding index-linked and unit-linked)	R0600	272,898
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	272,898
TP calculated as a whole	R0660	-
Best Estimate	R0670	212,056
Risk margin	R0680	60,842
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	36,841
Pension benefit obligations	R0760	6,894
Deposits from reinsurers	R0770	31,569
Deferred tax liabilities	R0780	30
Derivatives	R0790	113,482
Debts owed to credit institutions	R0800	50,625
Financial liabilities other than debts owed to credit institutions	R0810	6,067,813
Insurance & intermediaries payables	R0820	94,252
Reinsurance payables	R0830	3,914
Payables (trade, not insurance)	R0840	1,943,401
Subordinated liabilities	R0850	33,136
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	33,136
Any other liabilities, not elsewhere shown	R0880	217,805
Total liabilities	R0900	14,425,303
Excess of assets over liabilities	R1000	3,320,801

Royal & Sun Alliance Insurance plc
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Premiums, claims and expenses by line of business

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)										
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Premiums written										
Gross - Direct Business	R0110	261,956	-	-	519,621	249,856	309,938	1,224,692	312,066	529
Gross - Proportional reinsurance accepted	R0120	-	1,129	-	224,099	72,617	68,204	347,383	73,714	-
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	-	-	-	232,145	99,250	69,452	386,891	53,374	287
Net	R0200	261,956	1,129	-	511,575	223,223	308,690	1,185,184	332,406	242
Premiums earned										
Gross - Direct Business	R0210	267,632	36	-	583,840	285,216	319,959	1,241,239	310,725	529
Gross - Proportional reinsurance accepted	R0220	-	1,119	-	210,597	67,759	74,247	341,775	73,641	-
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	-	-	-	281,231	126,150	59,077	317,669	54,799	287
Net	R0300	267,632	1,155	-	513,206	226,825	335,129	1,265,345	329,567	242
Claims incurred										
Gross - Direct Business	R0310	162,417	(7)	-	390,944	221,196	323,725	674,159	160,181	16
Gross - Proportional reinsurance accepted	R0320	(82)	45	-	126,953	41,949	42,261	258,922	16,308	-
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	-	-	-	187,640	122,269	85,373	173,850	22,260	(46)
Net	R0400	162,335	38	-	330,257	140,876	280,613	759,231	154,229	62
Changes in other technical provisions										
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430									
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-	-
Expenses incurred	R0550	103,237	345	-	225,245	83,167	114,430	596,707	114,962	387
Other expenses	R1200									
Total expenses	R1300									

Royal & Sun Alliance Insurance plc
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Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total C0200
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0100	C0110	C0120	C0130	C0140	C0150	C0160	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	9,702	42,872	34,886				2,966,118
Gross - Proportional reinsurance accepted	R0120	-	500	6				787,652
Gross - Non-proportional reinsurance accepted	R0130				-	-	-	-
Reinsurers' share	R0140	-	-	1,512	-	-	-	842,911
Net	R0200	9,702	43,372	33,380	-	-	-	2,910,859
Premiums earned								
Gross - Direct Business	R0210	8,634	38,850	36,052				3,092,712
Gross - Proportional reinsurance accepted	R0220	-	545	9				769,692
Gross - Non-proportional reinsurance accepted	R0230				-	-	458	458
Reinsurers' share	R0240	-	-	1,514	-	-	341	841,068
Net	R0300	8,634	39,395	34,547	-	-	117	3,021,794
Claims incurred								
Gross - Direct Business	R0310	4,826	18,194	23,325				1,978,976
Gross - Proportional reinsurance accepted	R0320	-	410	-				486,766
Gross - Non-proportional reinsurance accepted	R0330				-	(8,967)	(3,738)	(12,705)
Reinsurers' share	R0340	-	-	314	-	-	(2,174)	589,486
Net	R0400	4,826	18,604	23,011	-	(8,967)	(1,564)	1,863,551
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-				-
Gross - Proportional reinsurance accepted	R0420	-	-	-				-
Gross - Non- proportional reinsurance accepted	R0430				-	-	-	-
Reinsurers'share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	2,792	20,445	13,071	-	-	(12)	1,274,776
Other expenses	R1200							6,212
Total expenses	R1300							1,280,988

Royal & Sun Alliance Insurance plc
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Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written										
Gross	R1410	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1420	-	-	-	-	-	-	-	-	-
Net	R1500	-	-	-	-	-	-	-	-	-
Premiums earned										
Gross	R1510	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-	-	-
Net	R1600	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	R1610	-	-	-	-	-	10,646	-	-	10,646
Reinsurers' share	R1620	-	-	-	-	-	(732)	-	-	(732)
Net	R1700	-	-	-	-	-	11,378	-	-	11,378
Changes in other technical provisions										
Gross	R1710	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	-	-	-	-	-	-	-
Other expenses	R2500									
Total expenses	R2600									

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Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
			CA	IE	ES			
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	2,642,272	-	1,342	86,315	-	-	2,729,929
Gross - Proportional reinsurance accepted	R0120	207,329	232,213	206,770	1,606	-	-	647,918
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	700,728	-	442	41,615	-	-	742,785
Net	R0200	2,148,873	232,213	207,670	46,306	-	-	2,635,062
Premiums earned								
Gross - Direct Business	R0210	2,753,748	-	7,865	95,105	-	-	2,856,718
Gross - Proportional reinsurance accepted	R0220	211,773	222,146	194,229	1,557	-	-	629,705
Gross - Non-proportional reinsurance accepted	R0230	458	-	-	-	-	-	458
Reinsurers' share	R0240	693,576	-	1,465	44,565	-	-	739,606
Net	R0300	2,272,403	222,146	200,629	52,097	-	-	2,747,275
Claims incurred								
Gross - Direct Business	R0310	1,734,061	-	4,636	71,598	-	-	1,810,295
Gross - Proportional reinsurance accepted	R0320	117,536	144,774	100,055	1,220	-	-	363,585
Gross - Non-proportional reinsurance accepted	R0330	(3,741)	-	(8,964)	-	-	-	(12,705)
Reinsurers' share	R0340	454,809	-	113	38,532	-	-	493,454
Net	R0400	1,393,047	144,774	95,614	34,286	-	-	1,667,721
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	1,036,802	78,936	59,252	17,859	-	-	1,192,849
Other expenses	R1200							6,212
Total expenses	R1300							1,199,061

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S.05.02.01

Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country	
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400		CA	IE	ES				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross	R1410	-	-	-	-	-	-	-
Reinsurers' share	R1420	-	-	-	-	-	-	-
Net	R1500	-	-	-	-	-	-	-
Premiums earned								
Gross	R1510	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-
Net	R1600	-	-	-	-	-	-	-
Claims incurred								
Gross	R1610	10,646	-	-	-	-	-	10,646
Reinsurers' share	R1620	(732)	-	-	-	-	-	(732)
Net	R1700	11,378	-	-	-	-	-	11,378
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	-	-	-	-	-
Other expenses	R2500							-
Total expenses	R2600							-

Royal & Sun Alliance Insurance plc
S.12.01.02
Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	-	-	-	-	-	212,056	-	212,056
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	-	-	-	84,296	-	84,296
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	-	-	-	-	127,760	-	127,760
Risk Margin	R0100	-	-	-	-	-	60,842	-	60,842
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	-	-	-	-	-	-	-	-
Best estimate	R0120	-	-	-	-	-	-	-	-
Risk margin	R0130	-	-	-	-	-	-	-	-
Technical provisions - total	R0200	-	-	-	-	-	272,898	-	272,898

Royal & Sun Alliance Insurance plc
S.12.01.02
Life and Health SLT Technical Provisions

	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	Contracts without options and guarantees	Contracts with options or guarantees				
	C0160	C0170	C0180			
	£'000	£'000	£'000	£'000	£'000	£'000
Technical provisions calculated as a whole	R0210	-		-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0220	-		-	-	-
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	-	-	-	-
Risk Margin	R0100	-		-	-	-
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0110	-		-	-	-
Best estimate	R0120	-	-	-	-	-
Risk margin	R0130	-		-	-	-
Technical provisions - total	R0200	-		-	-	-

Royal & Sun Alliance Insurance plc
S.17.01.02
Non-life Technical Provisions

Direct business and accepted proportional reinsurance									
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	5,663	202	-	131,589	24,868	(19,277)	138,945	55,774
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	365	-	-	24,013	6,277	(20,811)	(71,098)	(6,152)
Net Best Estimate of Premium Provisions	R0150	5,298	202	-	107,576	18,591	1,534	210,043	61,926
Claims provisions									
Gross	R0160	27,705	793	-	1,558,162	(79,723)	412,466	1,005,737	1,905,133
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	544,910	(45,531)	116,070	316,726	966,972
Net Best Estimate of Claims Provisions	R0250	27,705	793	-	1,013,252	(34,192)	296,396	689,011	938,161
Total Best estimate - gross	R0260	33,368	995	-	1,689,751	(54,855)	393,189	1,144,682	1,960,907
Total Best estimate - net	R0270	33,003	995	-	1,120,828	(15,601)	297,930	899,054	1,000,087
Risk margin	R0280	1,709	18	-	84,763	1,086	8,360	23,906	74,881
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-	-	-
Technical provisions - total									
Technical provisions - total	R0320	35,077	1,013	-	1,774,514	(53,769)	401,549	1,168,588	2,035,788
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	365	-	-	568,923	(39,254)	95,259	245,628	960,820
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	34,712	1,013	-	1,205,591	(14,515)	306,290	922,960	1,074,968

Royal & Sun Alliance Insurance plc
S.17.01.02
Non-life Technical Provisions

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation	
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
	C0110	C0120	C0130	C0140	C0150	C0160	C0170		C0180
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	-	-	-	-	-	-	-	
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	559	(230)	(1,298)	-	-	-	337,236	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	170	60	(16)	-	-	-	(67,226)	
Net Best Estimate of Premium Provisions	R0150	389	(290)	(1,282)	-	-	-	404,462	
Claims provisions									
Gross	R0160	2,875	649	14,409	76	156,794	(151)	3,229	5,012,130
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	(328)	-	864	-	-	-	-	1,899,168
Net Best Estimate of Claims Provisions	R0250	3,203	649	13,545	76	156,794	(151)	3,229	3,112,962
Total Best estimate - gross	R0260	3,434	419	13,111	76	156,794	(151)	3,229	5,349,366
Total Best estimate - net	R0270	3,592	359	12,263	76	156,794	(151)	3,229	3,517,424
Risk margin	R0280	228	99	801	1	7,251	-	39	203,277
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-	-	-
Technical provisions - total									
Technical provisions - total	R0320	3,662	518	13,912	77	164,045	(151)	3,268	5,552,643
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	(158)	60	848	-	-	-	-	1,831,942
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	3,820	458	13,064	77	164,045	(151)	3,268	3,720,701

Royal & Sun Alliance Insurance plc

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Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0010	1,214,953	1,214,953		-	
R0030	2,954,183	2,536,106		418,077	
R0040	-	-		-	
R0050	-		-	-	-
R0070	-	-			
R0090	-		-	-	-
R0110	-		-	-	-
R0130	(1,012,032)	(1,012,032)			
R0140	33,136		-	33,136	-
R0160	163,697				163,697
R0180	-	-	-	-	-
R0220	-				
R0230	-	-	-	-	
R0290	3,353,937	2,739,027	-	451,213	163,697

Royal & Sun Alliance Insurance plc

S.23.01.01

Own funds

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
 Unpaid and uncalled preference shares callable on demand
 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
 Total available own funds to meet the MCR
 Total eligible own funds to meet the SCR
 Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
 Own shares (held directly and indirectly)
 Foreseeable dividends, distributions and charges
 Other basic own fund items
 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
 Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0300	-			-	
R0310	-			-	
R0320	-			-	-
R0330	-			-	-
R0340	-			-	
R0350	-			-	-
R0360	-			-	
R0370	-			-	-
R0390	-			-	-
R0400	-			-	-
R0500	3,353,937	2,739,027	-	451,213	163,697
R0510	3,190,240	2,739,027	-	451,213	
R0540	3,353,937	2,739,027	-	451,213	163,697
R0550	2,861,540	2,739,027	-	122,513	
R0580	1,742,991				
R0600	612,567				
R0620	192.42%				
R0640	467.14%				

C0060
£'000

R0700	3,320,801	
R0710	-	
R0720	-	
R0730	4,332,833	
R0740	-	
R0760	(1,012,032)	
R0770	-	
R0780	8,420	
R0790	8,420	

Royal & Sun Alliance Insurance plc
S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030 £'000
10000A	Market risk (excluding currency risk) - Expectation	(137,119)
10000B	Market risk (excluding currency risk) - Movement from Expectation	476,187
10900A	Market Risk: Group Currency Risk - Expectation	(28,701)
10900B	Market Risk: Group Currency Risk - Movement from Expectation	232,026
19900B	Diversification within Market Risk	(190,451)
20100A	Credit risk - Expectation	26,713
20100B	Credit risk - Movement from Expectation	133,434
50150A	Total underwriting risk - Expectation	(535,008)
50150B	Total underwriting risk - Movement from Expectation	678,413
50310A	Catastrophe Risk - Expectation	220,237
50310B	Catastrophe Risk - Movement from Expectation	206,395
50210A	Total reserve risk - Expectation	1,836
50210B	Total reserve risk - Movement from Expectation	616,889
59900B	Diversification within Insurance Risk	(507,761)
70100B	Operational risk - Movement from Expectation	290,600
80100A	Other risks (excluding pension risk) - Expectation	283,046
80100B	Other risks (excluding pension risk) - Movement from Expectation	267,726
80110A	Other risks: Pension Risk - Expectation	69,390
80110B	Other risks: Pension Risk - Movement from Expectation	569,899

Calculation of Solvency Capital Requirement

	C0100 £'000
Total undiversified components	R0110 2,673,751
Diversification	R0060 (930,760)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	R0160 -
Solvency capital requirement excluding capital add-on	R0200 1,742,991
Capital add-ons already set	R0210 -
Solvency capital requirement	R0220 1,742,991
Other information on SCR	
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300 -
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310 -
Total amount of Notional Solvency Capital Requirements for remaining part	R0410 -
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420 -
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430 -
Diversification effects due to RFF nSCR aggregation for article 304	R0440 -

Royal & Sun Alliance Insurance plc

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

	C0010
	£'000
MCR _{NL} Result	R0010 609,884

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030

Medical expense insurance and proportional reinsurance
 Income protection insurance and proportional reinsurance
 Workers' compensation insurance and proportional reinsurance
 Motor vehicle liability insurance and proportional reinsurance
 Other motor insurance and proportional reinsurance
 Marine, aviation and transport insurance and proportional reinsurance
 Fire and other damage to property insurance and proportional reinsurance
 General liability insurance and proportional reinsurance
 Credit and suretyship insurance and proportional reinsurance
 Legal expenses insurance and proportional reinsurance
 Assistance and proportional reinsurance
 Miscellaneous financial loss insurance and proportional reinsurance
 Non-proportional health reinsurance
 Non-proportional casualty reinsurance
 Non-proportional marine, aviation and transport reinsurance
 Non-proportional property reinsurance

	£'000	£'000
R0020	33,003	261,956
R0030	995	1,130
R0040	-	-
R0050	1,120,828	511,575
R0060	-	223,223
R0070	297,930	308,690
R0080	899,054	1,185,184
R0090	1,000,087	332,406
R0100	4,966	242
R0110	3,592	9,702
R0120	359	43,372
R0130	12,263	33,380
R0140	76	-
R0150	156,794	-
R0160	-	-
R0170	3,229	-

Royal & Sun Alliance Insurance plc

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

	C0040
	£'000
MCR _L Result	R0200 2,683

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060
£'000	£'000

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

R0210	-	
R0220	-	
R0230	-	
R0240	127,761	
R0250	-	

Overall MCR calculation

	C0070
	£'000
Linear MCR	R0300 612,567
SCR	R0310 1,742,991
MCR cap	R0320 784,346
MCR floor	R0330 435,748
Combined MCR	R0340 612,567
Absolute floor of the MCR	R0350 3,281
Minimum Capital Requirement	R0400 612,567

Royal & Sun Alliance Reinsurance Limited
S.02.01.02
Balance sheet

	Solvency II	
	value	
	C0010	
	£'000	
Assets		
Intangible assets	R0030	-
Deferred tax assets	R0040	23
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	38,575
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	38,574
Government Bonds	R0140	31,996
Corporate Bonds	R0150	6,578
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	347,513
Non-life and health similar to non-life	R0280	347,513
Non-life excluding health	R0290	347,513
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	27,445
Reinsurance receivables	R0370	12,922
Receivables (trade, not insurance)	R0380	3,438
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	9,596
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	439,512

	Solvency II	
	value	
	C0010	
	£'000	
Liabilities		
Technical provisions – non-life	R0510	351,623
Technical provisions – non-life (excluding health)	R0520	351,623
TP calculated as a whole	R0530	-
Best Estimate	R0540	351,014
Risk margin	R0550	609
Technical provisions - health (similar to non-life)	R0560	-
TP calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
TP calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	10,480
Reinsurance payables	R0830	4,428
Payables (trade, not insurance)	R0840	5,836
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	149
Total liabilities	R0900	372,516
Excess of assets over liabilities	R1000	66,996

Royal & Sun Alliance Reinsurance Limited
S.05.01.02
Premiums, claims and expenses by line of business

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)									
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written									
Gross - Direct Business	R0110	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	-	-	-	678	291	26,021	161,014	30,464
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140	-	-	-	678	291	26,021	161,014	30,464
Net	R0200	-	-	-	-	-	-	-	-
Premiums earned									
Gross - Direct Business	R0210	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	-	-	-	638	274	26,612	169,065	31,142
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240	-	-	-	638	274	26,612	169,065	31,142
Net	R0300	-	-	-	-	-	-	-	-
Claims incurred									
Gross - Direct Business	R0310	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	-	-	-	(359)	(153)	13,795	117,605	10,977
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340	-	-	-	(359)	(153)	13,795	117,605	10,977
Net	R0400	-	-	-	-	-	-	-	-
Changes in other technical provisions									
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers'share	R0440	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-
Expenses incurred	R0550	-	-	-	-	-	1	-	-
Other expenses	R1200								
Total expenses	R1300								

Royal & Sun Alliance Reinsurance Limited
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance			Total	
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport		Property
		C0100	C0110	C0120	C0130	C0140	C0150		C0160
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Premiums written									
Gross - Direct Business	R0110	-	-	-				-	
Gross - Proportional reinsurance accepted	R0120	-	-	-				218,468	
Gross - Non-proportional reinsurance accepted	R0130				-	11,229	(5)	30,740	
Reinsurers' share	R0140	-	-	-	-	11,229	(5)	30,740	
Net	R0200	-	-	-	-	-	-	-	
Premiums earned									
Gross - Direct Business	R0210	-	-	-				-	
Gross - Proportional reinsurance accepted	R0220	-	-	-				227,731	
Gross - Non-proportional reinsurance accepted	R0230				-	11,229	(5)	30,738	
Reinsurers' share	R0240	-	-	-	-	11,229	(5)	30,738	
Net	R0300	-	-	-	-	-	-	-	
Claims incurred									
Gross - Direct Business	R0310	-	-	-				-	
Gross - Proportional reinsurance accepted	R0320	-	-	-				141,865	
Gross - Non-proportional reinsurance accepted	R0330				-	7,627	(554)	19,578	
Reinsurers' share	R0340	-	-	-	-	7,627	(554)	19,578	
Net	R0400	-	-	-	-	-	-	-	
Changes in other technical provisions									
Gross - Direct Business	R0410	-	-	-				-	
Gross - Proportional reinsurance accepted	R0420	-	-	-				-	
Gross - Non- proportional reinsurance accepted	R0430				-	-	-	-	
Reinsurers'share	R0440	-	-	-	-	-	-	-	
Net	R0500	-	-	-	-	-	-	-	
Expenses incurred	R0550	-	-	-	-	(224)	-	(613)	
Other expenses	R1200							-	
Total expenses	R1300							(836)	

Royal & Sun Alliance Reinsurance Limited
S.05.02.01
Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
		C0010	C0020	C0030	C0040	C0050		C0060
R0010		US	CA	MX	CL	BR		
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	11,512	52,385	7,517	16,627	12,166	8,930	109,137
Gross - Non-proportional reinsurance accepted	R0130	22,364	-	12,685	-	-	-	35,049
Reinsurers' share	R0140	33,876	52,385	20,202	16,627	12,166	8,930	144,186
Net	R0200	-	-	-	-	-	-	-
Premiums earned								
Gross - Direct Business	R0210	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	12,278	53,259	7,696	15,971	11,228	8,290	108,722
Gross - Non-proportional reinsurance accepted	R0230	22,362	-	12,685	-	-	-	35,047
Reinsurers' share	R0240	34,640	53,259	20,381	15,971	11,228	8,290	143,769
Net	R0300	-	-	-	-	-	-	-
Claims incurred								
Gross - Direct Business	R0310	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	(6,813)	57,582	21,393	7,154	1,319	3,460	84,095
Gross - Non-proportional reinsurance accepted	R0330	13,659	-	9,526	-	-	-	23,185
Reinsurers' share	R0340	6,846	57,582	30,919	7,154	1,319	3,460	107,280
Net	R0400	-	-	-	-	-	-	-
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	(445)	-	(253)	-	-	-	(698)
Other expenses	R1200							-
Total expenses	R1300							(698)

Royal & Sun Alliance Reinsurance Limited
S.17.01.02
Non-life Technical Provisions

Direct business and accepted proportional reinsurance									
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Technical provisions calculated as a whole									
R0010	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole									
R0050	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross									
R0060	-	-	-	346	195	(2,019)	8,071	4,100	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default									
R0140	-	-	-	338	191	(1,988)	7,968	4,015	-
Net Best Estimate of Premium Provisions									
R0150	-	-	-	8	4	(31)	103	85	-
Claims provisions									
Gross									
R0160	-	-	-	718	(177)	23,425	178,977	85,936	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default									
R0240	-	-	-	711	320	22,575	176,769	84,965	-
Net Best Estimate of Claims Provisions									
R0250	-	-	-	7	(497)	850	2,208	971	-
Total Best estimate - gross									
R0260	-	-	-	1,064	18	21,406	187,048	90,036	-
Total Best estimate - net									
R0270	-	-	-	15	(493)	819	2,311	1,056	-
Risk margin									
R0280	-	-	-	2	14	22	356	131	-
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole									
R0290	-	-	-	-	-	-	-	-	-
Best estimate									
R0300	-	-	-	-	-	-	-	-	-
Risk margin									
R0310	-	-	-	-	-	-	-	-	-
Technical provisions - total									
Technical provisions - total									
R0320	-	-	-	1,066	32	21,428	187,404	90,167	-
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total									
R0330	-	-	-	1,049	511	20,587	184,737	88,980	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total									
R0340	-	-	-	17	(479)	841	2,667	1,187	-

Royal & Sun Alliance Reinsurance Limited
S.17.01.02
Non-life Technical Provisions

	Direct business and accepted			Accepted non-proportional reinsurance			Total Non-Life obligation	
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
	C0110	C0120	C0130	C0140	C0150	C0160		C0170
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	R0060	-	-	-	(169)	-	(351)	10,173
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	54	-	153	10,731
Net Best Estimate of Premium Provisions	R0150	-	-	-	(223)	-	(504)	(558)
Claims provisions								
Gross	R0160	-	-	-	21,846	2,155	27,961	340,841
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	21,627	2,133	27,682	336,782
Net Best Estimate of Claims Provisions	R0250	-	-	-	219	22	279	4,059
Total Best estimate - gross	R0260	-	-	-	21,677	2,155	27,610	351,014
Total Best estimate - net	R0270	-	-	-	(4)	22	(225)	3,501
Risk margin	R0280	-	-	-	31	2	51	609
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-	-
Technical provisions - total								
Technical provisions - total	R0320	-	-	-	21,708	2,157	27,661	351,623
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	-	-	21,681	2,133	27,835	347,513
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	-	-	27	24	(174)	4,110

Royal & Sun Alliance Reinsurance Limited
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year
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Gross Claims Paid (non-cumulative)
 (absolute amount)

Year	Development year											In Current year C0170 £'000	Sum of years (cumulative) C0180 £'000			
	0	1	2	3	4	5	6	7	8	9	10 & +					
	C0010 £'000	C0020 £'000	C0030 £'000	C0040 £'000	C0050 £'000	C0060 £'000	C0070 £'000	C0080 £'000	C0090 £'000	C0100 £'000	C0110 £'000					
Prior	R0100												4,167	R0100	4,167	4,167
N-9	R0160	31,377	29,014	20,598	16,149	8,154	3,024	1,499	1,686	1,611	902			R0160	902	114,014
N-8	R0170	51,929	94,683	18,739	11,680	6,573	6,126	1,817	1,709	3,275				R0170	3,275	196,531
N-7	R0180	60,116	74,586	37,098	11,313	3,552	1,623	2,636	2,105					R0180	2,105	193,029
N-6	R0190	45,138	63,309	19,597	6,665	2,917	3,959	5,120						R0190	5,120	146,705
N-5	R0200	31,544	46,852	23,306	5,643	2,643	2,530							R0200	2,530	112,518
N-4	R0210	47,160	66,803	36,342	7,387	3,879								R0210	3,879	161,571
N-3	R0220	20,576	56,833	39,999	19,847									R0220	19,847	137,255
N-2	R0230	27,271	65,882	20,296										R0230	20,296	113,449
N-1	R0240	34,320	102,755											R0240	102,755	137,075
N	R0250	18,557												R0250	18,557	18,557
Total													R0260	183,433	1,334,871	

Gross undiscounted Best Estimate Claims Provisions
 (absolute amount)

Year	Development year											Year end (discounted data) C0360 £'000			
	0	1	2	3	4	5	6	7	8	9	10 & +				
	C0200 £'000	C0210 £'000	C0220 £'000	C0230 £'000	C0240 £'000	C0250 £'000	C0260 £'000	C0270 £'000	C0280 £'000	C0290 £'000	C0300 £'000				
Prior	R0100												20,457	R0100	20,057
N-9	R0160	-	-	-	-	-	-	-	11,158	7,250	6,394			R0160	6,255
N-8	R0170	-	-	-	-	-	-	26,200	23,363	14,437				R0170	14,119
N-7	R0180	-	-	-	-	-	7,889	4,617	3,823					R0180	3,681
N-6	R0190	-	-	-	-	21,193	15,380	8,812						R0190	8,718
N-5	R0200	-	-	-	14,694	12,451	3,461							R0200	3,374
N-4	R0210	-	-	15,579	10,641	5,722								R0210	5,481
N-3	R0220	-	64,513	21,704	6,708									R0220	6,541
N-2	R0230	126,901	74,986	27,739										R0230	27,108
N-1	R0240	170,727	113,529											R0240	109,353
N	R0250	142,106												R0250	136,154
Total													R0260	340,841	

Royal & Sun Alliance Reinsurance Limited
S.23.01.01
Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings

Subordinated mutual member accounts
 Surplus funds
 Preference shares
 Share premium account related to preference shares

Reconciliation reserve
 Subordinated liabilities
 An amount equal to the value of net deferred tax assets

Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0010	70,000	70,000		-	
R0030	-	-		-	
R0040	-	-		-	
R0050	-		-	-	-
R0070	-	-			
R0090	-		-	-	-
R0110	-		-	-	-
R0130	(3,027)	(3,027)			
R0140	-		-	-	-
R0160	23				23
R0180	-	-	-	-	-
R0220	-				
R0230	-	-	-	-	-
R0290	66,996	66,973	-	-	23

Royal & Sun Alliance Reinsurance Limited

S.23.01.01

Own funds

Ancillary own funds

- Unpaid and uncalled ordinary share capital callable on demand
- Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- Unpaid and uncalled preference shares callable on demand
- A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

- Total available own funds to meet the SCR
- Total available own funds to meet the MCR
- Total eligible own funds to meet the SCR
- Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

- Excess of assets over liabilities
- Own shares (held directly and indirectly)
- Foreseeable dividends, distributions and charges
- Other basic own fund items
- Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

- Expected profits included in future premiums (EPIFP) - Life business
- Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0300	-			-	
R0310	-			-	
R0320	-			-	-
R0330	-			-	-
R0340	-			-	
R0350	-			-	-
R0360	-			-	
R0370	-			-	-
R0390	-			-	-
R0400	-			-	-
R0500	66,996	66,973	-	-	23
R0510	66,973	66,973	-	-	
R0540	66,996	66,973	-	-	23
R0550	66,973	66,973	-	-	
R0580	7,867				
R0600	3,192				
R0620	851.64%				
R0640	2,097.84%				

C0060
£'000

R0700	66,996
R0710	-
R0720	-
R0730	70,023
R0740	-
R0760	(3,027)
R0770	-
R0780	-
R0790	-

Royal & Sun Alliance Reinsurance Limited

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
		£'000
5015ZA	Other Underwriting Risk - Expectation	432
5015ZB	Other Underwriting Risk - Movement from Expectation	385
502IZA	Other Reserving Risks - Expectation	(467)
502IZB	Other Reserving Risks - Movement from Expectation	140
10300A	Market Risk: interest rate risk - Expectation	(455)
10300B	Market Risk: interest rate risk - Movement from Expectation	897
1071AA	Market Risk: spread risk AAA - Expectation	(1)
1071AB	Market Risk: spread risk AAA - Movement from Expectation	11
1071BA	Market Risk: spread risk AA - Expectation	(35)
1071BB	Market Risk: spread risk AA - Movement from Expectation	315
1071CA	Market Risk: spread risk A - Expectation	(60)
1071CB	Market Risk: spread risk A - Movement from Expectation	649
10900A	Market Risk: Group Currency Risk - Expectation	(290)
10900B	Market Risk: Group Currency Risk - Movement from Expectation	3,726
19900I	Diversification within Market	(1,809)
20100A	Credit Risk - Expectation	66
20100B	Credit Risk - Movement from Expectation	(66)
70100B	Operational Risk - Movement from Expectation	4,830
80140A	Other Risks: Tax - Expectation	220
80140B	Other Risks: Tax - Movement from Expectation	(220)

Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)

Solvency capital requirement excluding capital add-on

Capital add-ons already set

Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	C0100
	£'000
R0110	8,268
R0060	(401)
R0160	-
R0200	7,867
R0210	-
R0220	7,867
R0300	-
R0310	-
R0410	-
R0420	-
R0430	-
R0440	-

Royal & Sun Alliance Reinsurance Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

	C0010	
	£'000	
MCR _{NL} Result	R0010	416

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
£'000	£'000

Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	15	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	819	-
Fire and other damage to property insurance and proportional reinsurance	R0080	2,311	-
General liability insurance and proportional reinsurance	R0090	1,056	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	22	-
Non-proportional property reinsurance	R0170	-	-

Royal & Sun Alliance Reinsurance Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

	C0040
	£'000
MCR _L Result	R0200 -

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060
£'000	£'000

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

R0210	-	
R0220	-	
R0230	-	
R0240	-	
R0250	-	

Overall MCR calculation

	C0070
	£'000
Linear MCR	R0300 416
SCR	R0310 7,867
MCR cap	R0320 3,540
MCR floor	R0330 1,967
Combined MCR	R0340 1,967
Absolute floor of the MCR	R0350 3,192
Minimum Capital Requirement	R0400 3,192

The Marine Insurance Company Limited
S.02.01.02
Balance sheet

	Solvency II value	
	C0010	
	£'000	
Assets		
Intangible assets	R0030	-
Deferred tax assets	R0040	34
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	34,404
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	33,879
Government Bonds	R0140	18,414
Corporate Bonds	R0150	15,465
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	525
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	17,150
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	17,150
Reinsurance recoverables from:	R0270	111,385
Non-life and health similar to non-life	R0280	111,385
Non-life excluding health	R0290	111,385
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	1,981
Reinsurance receivables	R0370	894
Receivables (trade, not insurance)	R0380	85,425
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	4,084
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	255,357

	Solvency II value	
	C0010	
	£'000	
Liabilities		
Technical provisions – non-life	R0510	112,613
Technical provisions – non-life (excluding health)	R0520	112,613
TP calculated as a whole	R0530	-
Best Estimate	R0540	112,431
Risk margin	R0550	182
Technical provisions - health (similar to non-life)	R0560	-
TP calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
TP calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	179
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	25,010
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	1,877
Reinsurance payables	R0830	56,544
Payables (trade, not insurance)	R0840	7,526
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	397
Total liabilities	R0900	204,146
Excess of assets over liabilities	R1000	51,211

The Marine Insurance Company Limited
S.05.01.02
Premiums, claims and expenses by line of business

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional									
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written									
Gross - Direct Business	R0110	-	-	-	-	13,957	21,140	49	-
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	1,858	-	-
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140	-	-	-	-	13,957	22,998	49	-
Net	R0200	-	-	-	-	-	-	-	-
Premiums earned									
Gross - Direct Business	R0210	-	-	-	-	18,462	17,695	86	-
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	1,218	-	-
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240	-	-	-	-	18,462	18,913	86	-
Net	R0300	-	-	-	-	-	-	-	-
Claims incurred									
Gross - Direct Business	R0310	-	-	-	-	4,937	12,976	8,147	-
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	979	-	-
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340	-	-	-	-	4,937	13,955	8,147	-
Net	R0400	-	-	-	-	-	-	-	-
Changes in other technical provisions									
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers'share	R0440	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-
Expenses incurred	R0550	-	-	-	-	(2,014)	(180)	106	-
Other expenses	R1200								
Total expenses	R1300								

The Marine Insurance Company Limited
S.05.01.02
Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	-	-	-				35,146
Gross - Proportional reinsurance accepted	R0120	-	-	-				1,858
Gross - Non-proportional reinsurance accepted	R0130				-	-	-	-
Reinsurers' share	R0140	-	-	-	-	-	-	37,004
Net	R0200	-	-	-	-	-	-	-
Premiums earned								
Gross - Direct Business	R0210	-	-	-				36,243
Gross - Proportional reinsurance accepted	R0220	-	-	-				1,218
Gross - Non-proportional reinsurance accepted	R0230				-	-	-	-
Reinsurers' share	R0240	-	-	-	-	-	-	37,461
Net	R0300	-	-	-	-	-	-	-
Claims incurred								
Gross - Direct Business	R0310	-	-	-				26,060
Gross - Proportional reinsurance accepted	R0320	-	-	-				979
Gross - Non-proportional reinsurance accepted	R0330				-	-	-	-
Reinsurers' share	R0340	-	-	-	-	-	-	27,039
Net	R0400	-	-	-	-	-	-	-
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-				-
Gross - Proportional reinsurance accepted	R0420	-	-	-				-
Gross - Non- proportional reinsurance accepted	R0430				-	-	-	-
Reinsurers'share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	-	-	-	-	-	-	(2,088)
Other expenses	R1200							-
Total expenses	R1300							(2,088)

The Marine Insurance Company Limited
S.05.02.01
Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
		C0010	C0020	C0030	C0040	C0050		C0060
R0010		US						
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	14,006	21,140	-	-	-	-	35,146
Gross - Proportional reinsurance accepted	R0120	-	1,858	-	-	-	-	1,858
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	14,006	22,998	-	-	-	-	37,004
Net	R0200	-	-	-	-	-	-	-
Premiums earned								
Gross - Direct Business	R0210	18,548	17,695	-	-	-	-	36,243
Gross - Proportional reinsurance accepted	R0220	-	1,218	-	-	-	-	1,218
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	18,548	18,913	-	-	-	-	37,461
Net	R0300	-	-	-	-	-	-	-
Claims incurred								
Gross - Direct Business	R0310	13,084	12,976	-	-	-	-	26,060
Gross - Proportional reinsurance accepted	R0320	-	979	-	-	-	-	979
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	13,084	13,955	-	-	-	-	27,039
Net	R0400	-	-	-	-	-	-	-
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	(1,907)	(181)	-	-	-	-	(2,088)
Other expenses	R1200							-
Total expenses	R1300							(2,088)

The Marine Insurance Company Limited
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R0010	-	-	-	-	-	-	-	-
R0050	-	-	-	-	-	-	-	-
R0060	-	-	-	-	-	1,204	5,596	104
R0140	-	-	-	-	-	1,213	5,540	103
R0150	-	-	-	-	-	(9)	56	1
R0160	-	-	-	-	-	12,120	9,043	84,364
R0240	-	-	-	-	-	12,055	8,953	83,521
R0250	-	-	-	-	-	65	90	843
R0260	-	-	-	-	-	13,324	14,639	84,468
R0270	-	-	-	-	-	56	146	844
R0280	-	-	-	-	-	6	9	167
R0290	-	-	-	-	-	-	-	-
R0300	-	-	-	-	-	-	-	-
R0310	-	-	-	-	-	-	-	-
R0320	-	-	-	-	-	13,330	14,648	84,635
R0330	-	-	-	-	-	13,268	14,493	83,624
R0340	-	-	-	-	-	62	155	1,011

The Marine Insurance Company Limited
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

	Direct business and accepted proportional			Accepted non-proportional reinsurance			Total Non-Life obligation	
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R0010	-	-	-	-	-	-	-	-
R0050	-	-	-	-	-	-	-	-
R0060	-	-	-	-	-	-	-	6,904
R0140	-	-	-	-	-	-	-	6,856
R0150	-	-	-	-	-	-	-	48
R0160	-	-	-	-	-	-	-	105,527
R0240	-	-	-	-	-	-	-	104,529
R0250	-	-	-	-	-	-	-	998
R0260	-	-	-	-	-	-	-	112,431
R0270	-	-	-	-	-	-	-	1,046
R0280	-	-	-	-	-	-	-	182
R0290	-	-	-	-	-	-	-	-
R0300	-	-	-	-	-	-	-	-
R0310	-	-	-	-	-	-	-	-
R0320	-	-	-	-	-	-	-	112,613
R0330	-	-	-	-	-	-	-	111,385
R0340	-	-	-	-	-	-	-	1,228

The Marine Insurance Company Limited
S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year

Z0010	Accident Year
-------	---------------

Gross Claims Paid (non-cumulative)
(absolute amount)

Year	Development year										In Current year C0170 £'000	Sum of years (cumulative) C0180 £'000			
	0	1	2	3	4	5	6	7	8	9			10 & +		
	C0010 £'000	C0020 £'000	C0030 £'000	C0040 £'000	C0050 £'000	C0060 £'000	C0070 £'000	C0080 £'000	C0090 £'000	C0100 £'000			C0110 £'000		
Prior	R0100											8,090	R0100	8,090	8,090
N-9	R0160	846	2,742	795	252	1,645	3	-	1	-	(17)		R0160	(17)	6,267
N-8	R0170	521	678	1,050	2,498	396	55	-	-	-	-		R0170	-	5,198
N-7	R0180	1,128	4,603	4,648	552	466	-	-	(21)				R0180	(21)	11,376
N-6	R0190	6,722	6,581	3,757	146	34	4	(641)					R0190	(641)	16,603
N-5	R0200	7,270	5,378	1,403	162	452	17						R0200	17	14,682
N-4	R0210	2,775	1,064	1,462	155	8							R0210	8	5,464
N-3	R0220	454	2,946	1,030	130								R0220	130	4,560
N-2	R0230	3,469	8,720	3,722									R0230	3,722	15,911
N-1	R0240	5,615	11,468										R0240	11,468	17,083
N	R0250	2,276											R0250	2,276	2,276
	Total												Total	25,032	107,510

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year	Development year										Year end (discounted data) C0360 £'000			
	0	1	2	3	4	5	6	7	8	9		10 & +		
	C0200 £'000	C0210 £'000	C0220 £'000	C0230 £'000	C0240 £'000	C0250 £'000	C0260 £'000	C0270 £'000	C0280 £'000	C0290 £'000		C0300 £'000		
Prior	R0100											93,456	R0100	84,350
N-9	R0160	-	-	-	-	-	-	6	17	3			R0160	3
N-8	R0170	-	-	-	-	-	-	11	1	(5)			R0170	(5)
N-7	R0180	-	-	-	-	-	218	136	148				R0180	142
N-6	R0190	-	-	-	-	987	788	361					R0190	346
N-5	R0200	-	-	-	405	772	99						R0200	98
N-4	R0210	-	-	179	40	230							R0210	221
N-3	R0220	-	1,249	110	257								R0220	257
N-2	R0230	19,808	1,529	2,336									R0230	2,270
N-1	R0240	15,743	5,923										R0240	5,740
N	R0250	12,252											R0250	12,105
	Total												Total	105,527

The Marine Insurance Company Limited
S.23.01.01
Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
 Subordinated mutual member accounts
 Surplus funds
 Preference shares
 Share premium account related to preference shares
 Reconciliation reserve
 Subordinated liabilities
 An amount equal to the value of net deferred tax assets
 Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0010	16,312	16,312		-	
R0030	6,022	6,022		-	
R0040	-	-		-	
R0050	-		-	-	-
R0070	-	-			
R0090	-		-	-	-
R0110	-		-	-	-
R0130	28,843	28,843			
R0140	-		-	-	-
R0160	34				34
R0180	-	-	-	-	-
R0220	-				
R0230	-	-	-	-	
R0290	51,211	51,177	-	-	34

The Marine Insurance Company Limited

S.23.01.01

Own funds

Ancillary own funds

- Unpaid and uncalled ordinary share capital callable on demand
- Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- Unpaid and uncalled preference shares callable on demand
- A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

- Total available own funds to meet the SCR
- Total available own funds to meet the MCR
- Total eligible own funds to meet the SCR
- Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

- Excess of assets over liabilities
- Own shares (held directly and indirectly)
- Foreseeable dividends, distributions and charges
- Other basic own fund items
- Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

- Expected profits included in future premiums (EPIFP) - Life business
- Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	£'000	£'000	£'000	£'000	£'000
R0300	-			-	
R0310	-			-	
R0320	-			-	-
R0330	-			-	-
R0340	-			-	
R0350	-			-	-
R0360	-			-	
R0370	-			-	-
R0390	-			-	-
R0400	-			-	-
R0500	51,211	51,177	-	-	34
R0510	51,177	51,177	-	-	
R0540	51,211	51,177	-	-	34
R0550	51,177	51,177	-	-	
R0580	9,079				
R0600	3,281				
R0620	564.04%				
R0640	1,559.72%				

	C0060	
	£'000	
R0700	51,211	
R0710	-	
R0720	-	
R0730	22,368	
R0740	-	
R0760	28,843	
R0770	-	
R0780	-	
R0790	-	

The Marine Insurance Company Limited

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
		£'000
5015ZA	Other Underwriting Risk - Expectation	141
5015ZB	Other Underwriting Risk - Movement from Expectation	150
502ZA	Other Reserving Risks - Expectation	(70)
502ZB	Other Reserving Risks - Movement from Expectation	45
10300A	Market Risk: interest rate risk - Expectation	(922)
10300B	Market Risk: interest rate risk - Movement from Expectation	1,475
1071BA	Market Risk: spread risk AA - Expectation	(11)
1071BB	Market Risk: spread risk AA - Movement from Expectation	210
1071CA	Market Risk: spread risk A - Expectation	(54)
1071CB	Market Risk: spread risk A - Movement from Expectation	443
1071DA	Market Risk: spread risk below A - Expectation	(64)
1071DB	Market Risk: spread risk below A - Movement from Expectation	572
10900A	Market Risk: Group Currency Risk - Expectation	(930)
10900B	Market Risk: Group Currency Risk - Movement from Expectation	7,897
19900I	Diversification within Market	(2,609)
20100A	Credit Risk - Expectation	17
20100B	Credit Risk - Movement from Expectation	(17)
70100B	Operational Risk - Movement from Expectation	2,811
80140A	Other Risks: Tax - Expectation	483
80140B	Other Risks: Tax - Movement from Expectation	(483)

Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)

Solvency capital requirement excluding capital add-on

Capital add-ons already set

Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	C0100
	£'000
R0110	9,084
R0060	(5)
R0160	-
R0200	9,079
R0210	-
R0220	9,079
R0300	-
R0310	-
R0410	-
R0420	-
R0430	-
R0440	-

The Marine Insurance Company Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

MCR_{NL} Result

C0010	
£'000	
R0010	106

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
£'000	£'000

Medical expense insurance and proportional reinsurance
 Income protection insurance and proportional reinsurance
 Workers' compensation insurance and proportional reinsurance
 Motor vehicle liability insurance and proportional reinsurance
 Other motor insurance and proportional reinsurance
 Marine, aviation and transport insurance and proportional reinsurance
 Fire and other damage to property insurance and proportional reinsurance
 General liability insurance and proportional reinsurance
 Credit and suretyship insurance and proportional reinsurance
 Legal expenses insurance and proportional reinsurance
 Assistance and proportional reinsurance
 Miscellaneous financial loss insurance and proportional reinsurance
 Non-proportional health reinsurance
 Non-proportional casualty reinsurance
 Non-proportional marine, aviation and transport reinsurance
 Non-proportional property reinsurance

R0020	-	-
R0030	-	-
R0040	-	-
R0050	-	-
R0060	-	-
R0070	56	-
R0080	146	-
R0090	844	-
R0100	-	-
R0110	-	-
R0120	-	-
R0130	-	-
R0140	-	-
R0150	-	-
R0160	-	-
R0170	-	-

The Marine Insurance Company Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

MCR_L Result

	C0040
	£'000
R0200	-

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060
£'000	£'000

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

R0210	-	
R0220	-	
R0230	-	
R0240	-	
R0250		-

Overall MCR calculation

Linear MCR
 SCR
 MCR cap
 MCR floor
 Combined MCR
 Absolute floor of the MCR

	C0070
	£'000
R0300	106
R0310	9,079
R0320	4,086
R0330	2,270
R0340	2,270
R0350	3,281

Minimum Capital Requirement

R0400	3,281
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