RSA Insurance Group plc

Solvency and Financial Condition Report (SFCR) 2020

Contents

Introduction

RSA Insurance Group plc ("RSAIG") is a public limited company incorporated in England and Wales. RSAIG, 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 ("EU") and the UK, became effective from 1 January 2016. For the year ended 31 December 2020, the Group has prepared its reporting in line with the requirements of the SII regime enacted in the UK, following the UK's exit from the European Union. The purpose of the Solvency and Financial Condition Report ("SFCR") is to provide information required by the SII regulatory framework for RSA Insurance Group 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" or "RSAI plc")
- Royal & Sun Alliance Reinsurance Limited ("RSA Re")
- The Marine Insurance Company Limited ("MIC")

RSAI, 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 Group as a whole.

The Group disposed of its other UK regulated insurance subsidiary, British Aviation Insurance Company Limited ("BAIC"), during the year. BAIC is responsible for preparing and submitting its own SFCR.

As at 31 December 2020 the Group has five non-UK insurance subsidiaries that are subject to the SII regulatory framework within the European Union and these companies publish their own SFCRs:

- Codan Forsikring A/S
- Forsikringsselskabet Privatsikring A/S
- Holmia Livforsakring AB
- RSA Insurance Ireland DAC
- RSA Luxembourg SA

Annual Report and Accounts

This document makes reference to the Group's 2020 Annual Report and Accounts which can be accessed from the Group's website at https://www.rsagroup.com/investors/reports/annual-report-2020/. 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 and long-term guarantee measures

The only SII transitional measure that is applied is with respect to the Group's debt arrangements as referred to in Rule 4.1 of the Transitional Measures Part of the PRA Rulebook applicable to SII firms. Further information relating to this transitional measure is shown in section E.1.6 of this report.

The only long-term guarantee measure that is applied is the volatility adjustment as referred to in Regulation 43 of the Solvency 2 Regulations 2015. Further information relating to this measure is shown in section D.2.4 of this report.

As a primarily general insurance business, during the year the Group has not placed any reliance on the matching adjustment as referred to in Regulation 42 of the Solvency 2 Regulations 2015. Consequently there will be no information regarding this measure in this report.

Summary

RSA is a leading international general insurer, with its business rooted in regional franchises, operating through the Group's Scandinavia, Canada and UK & International regions.

2020 was another excellent year for RSA overall. Despite the financial and operational impacts of Covid-19, the business remained resilient throughout, resulting in another year of strong profits for the Group.

In the second half of the year, RSA was subject to a cash offer by a consortium of Canadian insurer Intact and Danish provider Tryg, to be implemented by a court-sanctioned Scheme of Arrangement which was approved by RSA shareholders on 18 January 2021. Further steps are required to complete the transaction and the Group continues to operate on an independent basis until the sale is complete. Further information on the offer can be found in the Strategic Report of the 2020 Annual Report and Accounts of the Group.

Covid-19

The Covid-19 pandemic had a significant impact upon our customers, our staff and society as a whole in 2020.

RSA has prioritised sustaining customer service during these difficult times. In addition to paying out claims of some £4.6bn for business as usual, Covid-19 related claims of over £250m have been provided for, on top of a range of other customer support measures from premium rebates to bill forbearance and charitable donations.

From an operational perspective, RSA was able to adjust well to substantially all employees working from home. While there were some areas of service slippage, in general business remained largely as usual. The Group prioritised health and welfare of its staff and did not take part in government furlough programmes in any of its territories.

Business and performance

Underwriting result

Total Group underwriting profit was £502m (2019: £346m). The combined ratio was 91.9% (2019: 94.6%).

It is estimated that Covid-19 had a negative impact of £25m on the underwriting result overall. Covid-19 related frequency benefits were offset by lower premiums, direct Covid-19 related claims, claims provisions and projected claims inflation impacting both the prior year and current underwriting years.

Investment result

The investment result was £213m (2019: £263m) with investment income of £258m (2019: £306m), investment expenses of £14m (2019: £12m) and the liability discount unwind of £31m (2019: £31m).

Investment income was down 16% on prior year, primarily reflecting the impact of reinvestment at lower yields. The average book yield across the Group's major bond portfolios was 1.9% (2019: 2.1%). Approximately £17m of the reduction in investment income was a result of Covid-19 market impacts.

Operating Profit

The Group total business operating result was £703m (2019: £597m).

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

System of governance

The Group maintains a robust system of governance. Detail about this and changes during the year 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 control 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.

Maintaining risk management and an effective control environment is essential in times of organisational stress as it helps protect the organisation from harm. Covid-19 has had an unprecedented impact in RSA's business and while it has not fundamentally changed the Group's risk profile the pandemic heightened some risks. Mitigating actions to reduce ongoing pandemic risk have been put in place during 2020 and these are outlined in Section C of these report.

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

- Insurance risk, including underwriting, claims and reserving risks
- Market risk (including currency 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 International Financial Reporting Standards ("IFRS").

At 31 December 2020, the Group's excess of assets over liabilities on an SII basis was £3,334m, and on an IFRS basis this was £4,730m. 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 purposes during the year other than the application of the Volatility Adjustment (see below for further details).

Volatility Adjustment

In March 2020, the Group, RSAI, RSA Re and MIC each received approval from the PRA to apply the Volatility Adjustment, as referred to in Regulation 43 of the Solvency II Regulations 2015, to the calculation of technical provisions, with effect from 31 March 2020.

The default discount rate curves used to calculate technical provisions are based on risk-free rates. In the event of a market stress where credit spreads widen significantly, this would lead to a significant reduction in the value of the Group's corporate bond portfolio with no corresponding impact on the value of Technical Provisions.

However, given the high-quality nature of the Group's corporate bond portfolio, the underlying cashflows would remain well matched even after any assumed increase in default risk. This reflects in part the fact that a significant component of the spread on corporate bond yields above risk-free rates relates to illiquidity premium.

Given the strength of the Group and its entities including the significant liquidity available, the Group expects to invest in corporate bonds on a largely 'buy and hold' basis. As such, temporary movements in spreads, in particular where driven in large part by movements in illiquidity premium, represent short term volatility which should not impact the overall assessment of capital strength. The use of the Volatility Adjustment allows for an appropriate level of spread to be reflected in the discount rate used to calculate the technical provisions, to provide a more stable and representative overall view.

Capital management

Capital Position

Solvency II position	Requirement (SCR) (unaudited) £m	Eligible Own Funds £m	Surplus £m	Coverage %
31 December 2020	**1,744**	**3,290**	**1,546**	**189%**
31 December 2019	1,727	3,073	1,346	178%

The SII coverage ratio increased to 189% at 31 December 2020 (31 December 2019: 178%).

	%
At 1 January 2020	178
Underlying capital generation	**32**
Net capital investment after amortisation	**(2)**
Impact of pension contributions (paid annually in Q1)	**(4)**
Pull-to-par on unrealised bond gains	**(4)**
Exit losses	**(3)**
Reorganisation costs	**-**[1]
Dividends	**(5)**
Market movements and other	**(3)**
At 31 December 2020	**189**

[1] Impact of restructuring costs are net nil as already recognised in 2019 SCR

Capital activity

RSA operates a programme of continuous development in relation to the internal model and a Group-level regulatory approval was received in 2020 for the latest set of enhancements.

Model approval was also received in 2020 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 114 to 122).

A. Business and Performance

In this section

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 IFRS as adopted for use in the UK.

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: https://www.bankofengland.co.uk/prudential-regulation

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 2020. 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	**146,179,931**	**14.13%**	**ordinary shares held indirectly**

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

Refer to Appendix B of the Group's 2020 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 Europe), 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 of RSA Insurance Group plc (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.

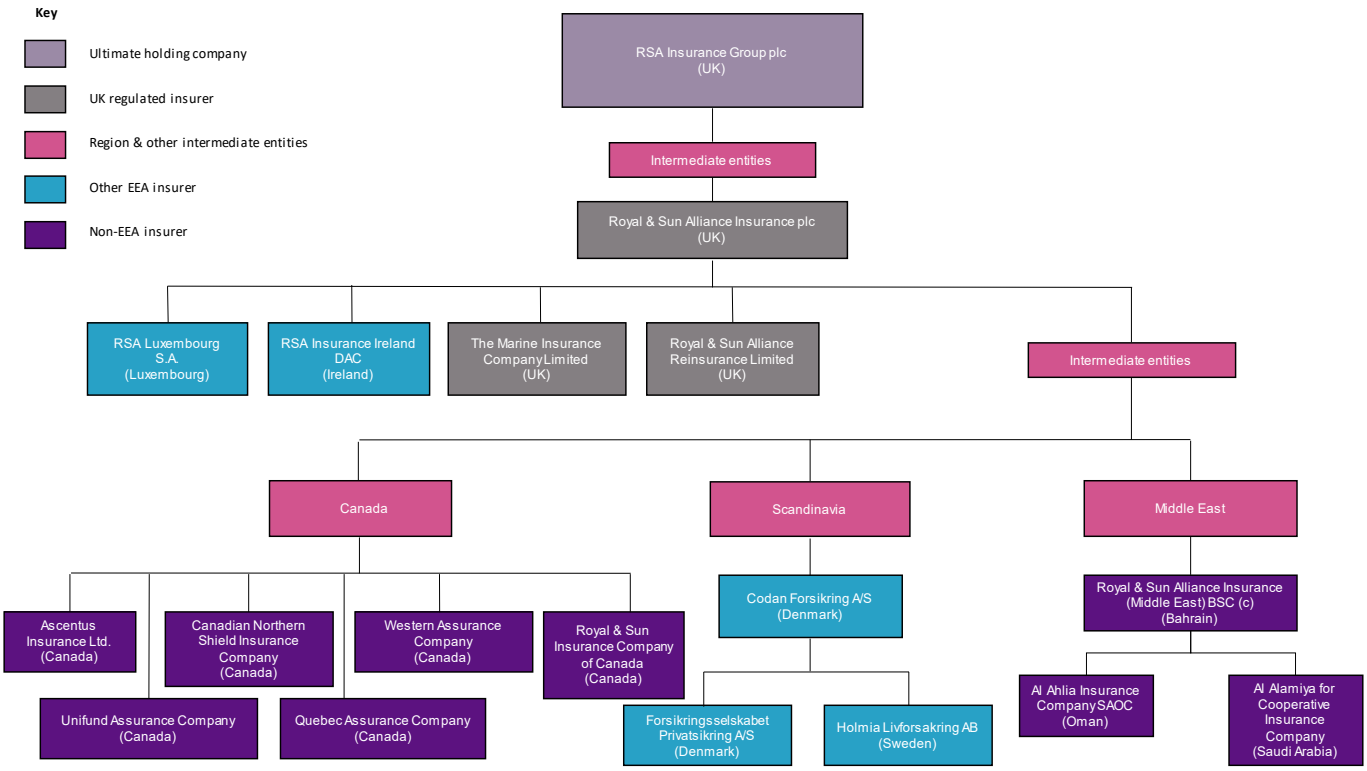
A.1.6 Material related undertakings

See Appendix B of the Group's 2020 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	Forsikringsselskabet 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 Livforsakring AB
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



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

Covid-19 Impact

The Covid-19 pandemic had a significant impact upon our customers, our staff and society as a whole in 2020.

From an operational perspective, RSA was able to adjust well to substantially all employees working from home. While there were some areas of service slippage, in general business remained largely as usual. We prioritised health and welfare of our staff and did not take part in government furlough programmes in any of our territories.

From a financial perspective, Covid-19 impacted our business in multiple ways, resulting in a negative impact on our financial results. There was an estimated c.£166m impact on premium income driven by direct customer relief measures and lower levels of economic activity.

The estimated direct gross claims cost of Covid-19 (including substantial IBNR reserves) was £259m[1]. These claims primarily related to UK and Irish business interruption claims, as well as travel and UK wedding insurance. Reinsurance recoverables arose to mitigate gross claims costs under travel insurance protection, the Group GVC and Group Cat programmes.

On 15 January 2021, the Supreme Court handed down judgement relating to the Financial Conduct Authority's ("FCA") UK business interruption court proceedings. Subsequently, on the 5 February 2021, the Irish High Court handed down judgement relating to Irish business interruption court proceedings. The estimated impact of these judgements is included in the actuarial indication of ultimate losses, based on initial interpretations of the judgements. Work to fully understand the various implications of these judgements, as legal interpretations develop and claims profiles mature, will continue in future months. As a result there is uncertainty in these estimates at this stage.

During 2020, non Covid-19 claims frequency was down vs prior year in a range 9-34% providing partial mitigation to the negative impacts for Covid-19 claims, investment income reductions and lower premiums.

It is estimated that Covid-19 had a negative impact of £25m (excluding UK&I exit portfolios) on the underwriting result overall.

Below the underwriting result, other charges include £40m of net losses and economic assumption changes relating to estimated Covid-19 market volatility.

Takeover bid

The recommended bid for RSA by Intact in consortium with Tryg was approved by RSA shareholders in January and good progress is being made in satisfying the various conditions to closing. It is presently estimated that closing is likely to occur during Q2 2021, subject to the conditions being satisfied.

[1] Gross numbers are net of specific quota share and facultative reinsurance impacts.

A.1.10 Group operations & transactions within the Group

See Section D. for information on the method and scope 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 and capital optimisation. There were no significant dividend transactions between Group companies during 2020.

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

RSAI plc entered into derivative transactions with Royal International Insurance Holdings Limited, The Globe Insurance Company Limited, RSA Luxembourg S.A. and Codan Forsikring A/S during the 2020 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

RSA Re provides a reinsurance function for the international insurance activities of the Group offices.

RSAI 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.

RSAI plc has entered into a 40% quota share agreement with Unifund Assurance Company for reserves existing up to end-2016 and for business from 1 January 2017 to 31 December 2020. With effect from 1 January 2021 the percentage ceded was increased to 60%. This agreement covers all classes of business.

RSAI plc has entered into an 83% quota share agreement with RSA Luxembourg S.A for reserves existing up to end-2018 and for 2019 business onwards. This agreement covers all classes of business.

Expense reimbursement

RSAI plc reimbursed RSA Accident Repairs Limited £154m 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 announcement on the Group's website at https://www.rsagroup.com/news/press-releases/2021/rsa-2020-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	
	2020	2019	**2020**	2019
	£m	£m	**£m**	£m
Non-life				
Fire and other damage to property	**2,524**	2,531	**145**	73
Motor vehicle liability	**1,111**	1,232	**83**	50
Other Motor	**850**	862	**119**	66
Marine, aviation and transport	**289**	296	**26**	13
Income protection	**360**	344	**100**	97
General liability	**587**	570	**(25)**	44
Medical expense	**300**	355	**30**	17
Total material lines of business	**6,021**	6,190	**478**	360
Non-material	**202**	227	**24**	(14)
Total	**6,223**	6,417	**502**	346

The segmentation of the underwriting result, as shown in the preliminary results press release, 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 strong performance in Canada and Scandinavia which have seen significantly improved claims experience as well as higher prior year development. This is partly offset by the UK which was adversely impacted by Covid-19 business interruption claims and winter storms.

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 UK being the main driver of the strong results benefitting from Covid-19 lockdown. Canada and Scandinavia also contributed.

UK and Europe Marine is the key contributor of the Marine, Aviation and Transport line, which has seen improved current year claims performance in Europe. This was partly offset by underperformance in the UK.

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 deterioration of the result is predominantly driven by lower prior year development in all regions except Scandinavia.

Medical expense is largely the UK Pet book, which benefitted from Covid-19 lockdown.

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.

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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Investment property	**17**	18	**3**	-	**(8)**	(10)	**-**	-	**12**	8
Equity securities										
Available for sale	**28**	35	**3**	14	**-**	-	**(24)**	-	**7**	49
Debt securities										
Available for sale	**196**	223	**4**	1	**-**	-	**(8)**	-	**192**	224
At fair value through the P&L account	**-**	-	**-**	-	**(3)**	(6)	**-**	-	**(3)**	(6)
Other loans and receivables:										
Loans secured by mortgages	**1**	2	**-**	-	**-**	-	**-**	-	**1**	2
Other loans	**9**	10	**1**	-	**-**	-	**-**	-	**10**	10
Deposits, cash and cash equivalents	**3**	9	**-**	-	**-**	-	**-**	-	**3**	9
Derivatives	**2**	6	**(5)**	-	**(4)**	(9)	**-**	-	**(7)**	(3)
Other	**2**	3	**-**	-	**-**	-	**-**	-	**2**	3
Total net investment return	**258**	306	**6**	15	**(15)**	(25)	**(32)**	-	**217**	296

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

	2020	2019
	£m	£m
Investment property	**(1)**	(1)
Debt securities	**(12)**	(10)
Loans and receivables	**(1)**	(1)
Total investment management expenses	**(14)**	(12)

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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Equity securities	**(66)**	38	**(3)**	(14)	**24**	-	**(45)**	24
Debt securities	**141**	115	**(4)**	(1)	**8**	-	**145**	114
Other	**1**	-	**(1)**	-	**-**	-	**-**	-
Total	**76**	153	**(8)**	(15)	**32**	-	**100**	138

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 tranched 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 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 2020 is summarised in the table below:

		Exposure	
		2020	2019
Class of investments	**Nature of the underlying investments of the vehicle**	**£m**	£m
Collateralised debt obligations	Structured debt security backed by bonds	**302**	262

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 2020 is detailed below:

Other operating income

	2020 £m	2019 £m
Administration fees income	**19**	26
Instalment policy fee income	**38**	40
Introductory commissions	**14**	13
Service income	**12**	11
Other fees	**46**	45
Pension net interest and administration expenses	**1**	4
Foreign exchange gain	**-**	1
Total other operating income	**130**	140

Other operating expenses

	2020 £m	2019 £m
Administration and other expenses	**13**	13
Investment expenses and charges	**14**	12
Amortisation of intangible assets	**11**	12
Impairment of goodwill	**14**	-
Reorganisation costs	**78**	27
Transaction costs	**14**	-
Foreign exchange loss	**16**	-
Total other operating expenses	**160**	64

Finance costs

	2020 £m	2019 £m
Interest expense on loan capital	**27**	25
Interest on lease liabilities	**6**	7
Total finance costs	**33**	32

Employee expenses

Staff costs for all employees comprise:

	2020 £m	2019 £m
Wages and salaries	**631**	584
Social security costs	**86**	84
Pension costs	**73**	53
Share based payments to directors and employees	**19**	10
Total staff costs	**809**	731

A.4.2 Operating and finance leasing arrangements

Leases as a lessee

Amounts recognised in profit and loss

Leases under IFRS 16	**2020 £m**	2019 £m
Interest on lease liabilities	**6**	7
Expenses relating to short-term leases	**-**	4
Expenses relating to leases of low-value assets	**3**	3
Expenses relating to variable lease payments	**8**	-

In response to COVID-19 substantially all of the Group's employees temporarily moved from office to home working. Some territories have returned to the office however a large proportion of the Group's leased office space is not yet being fully utilised. Further to the success of home working and in conjunction with the UK restructuring programme, a review of the future working locations of employees and required office space usage has been undertaken. These factors were considered to be impairment indicators and therefore impairment assessments of property and equipment including right-of-use assets has been undertaken. Subsequently, impairments of £15m of right-of-use assets have been recognised in underwriting and policy acquisition costs (£8m: £6m UK&I and £2m Scandinavia) and other operating expenses (£7m: all UK&I) mainly relating to office floor space which is not expected to be utilised in the future.

For further information relating to the key judgements and assumptions considered in this impairment review, see note 44 of the Group's Annual Report and Accounts.

Leases as a lessor

Finance leases

The Group continues to sub-let office floor space in Canada and UK for which the head leases have been presented as part of the Land and buildings right-of-use asset. The sub-leases have been classified as finance leases because the sub-lease is for the whole remaining term of the head lease. The net investments in the subleases have been reported within Other Debtors.

During 2020, the Group recognised interest income on lease receivables of £1m (2019: £1m).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Land and buildings	
	2020	2019
	£m	£m
Less than one year	**2**	3
One to two years	**3**	3
Two to three years	**2**	3
Three to four years	**2**	3
Four to five years	**2**	3
More than five years	**3**	9
Total undiscounted lease receivable	**14**	24
Unearned finance income	**(1)**	(2)
Net investment in the lease	**13**	22

Operating leases

The Group leases out its investment property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

During 2020, the Group recognised £18m of rental income within its net investment return (2019: £19m).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Land and buildings	
	2020	2019
	£m	£m
Less than one year	**15**	17
One to two years	**15**	16
Two to three years	**14**	15
Three to four years	**11**	14
Four to five years	**10**	11
More than five years	**41**	51
Total	**106**	124

A.5 Any other information

Nothing to report.

B. System of Governance

In this section

Purpose of RSA's System of Governance

RSA's System of Governance promotes the safety and soundness of the Group for the benefit of shareholders, customers, employees and other stakeholders. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision-making, good procedures and strong controls. The components of the System of Governance result in a clear allocation and appropriate segregation of responsibilities and the effective transmission of information internally.

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. A minimum of fifty percent of the Board, excluding the Chairman, are Non-Executive Directors. All Non-Executive Directors have been determined by the 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, which is reviewed annually.

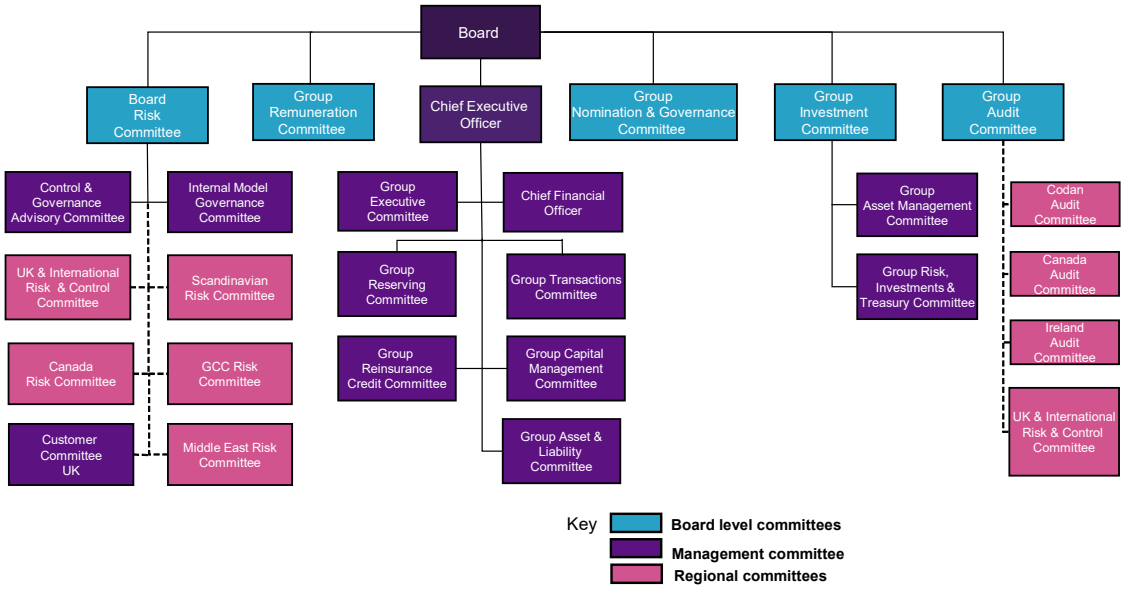
The Board promotes high standards of corporate governance and conduct throughout the Group. It also plays a key role in relation to culture, aligning culture with RSAIG's purpose, values and strategy and aligning policies and practices with company values. The Group's senior leaders are responsible for embedding culture throughout the Group and then escalating any cultural 'red flags'. The Chairman is responsible for ensuring a formal and rigorous evaluation of Board effectiveness is undertaken on an annual basis.

The Board is accountable to shareholders for the creation and delivery of sustainable performance and the creation of long-term shareholder value, while having regard to RSAIG'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 Board meets frequently and is responsible for organising and directing the affairs of the Group in a manner that will promote the success of RSAIG and is consistent with good corporate governance practice, ensuring that in carrying out its duties RSAIG and the Group meet legal and regulatory requirements. RSAIG's Articles of Association can be found on the Group's website at www.rsagroup.com/articles. The website also hosts copies of the Group's Annual Report and Accounts and publicly available policies.

Board Directors have access to the services and advice of the Group General Counsel and Company Secretary and in addition may take independent professional advice at the expense of RSAIG in furtherance of their duties.

The Board sets annual objectives for the business in line with the current Group strategy and monitors the achievement of RSAIG's objectives through regular reports which include updates from the Group Chief Executive Officer, the Group Chief Financial Officer and UK & International Chief Executive Officer on all material business matters. Regional reports and updates are provided annually by the Canada and Scandinavia CEOs.

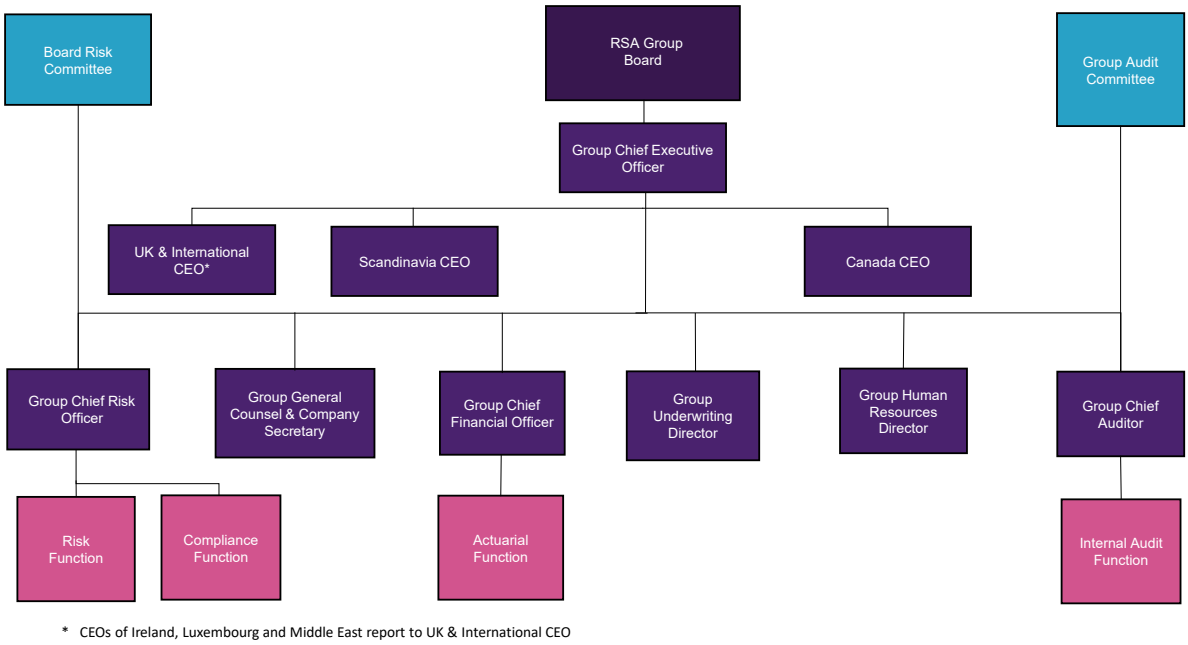
The main Group Board and executive committees and the relationships between them are shown below:



The role and responsibilities of each board level committee can be found in the Group's Annual Report and Accounts 2020 on page 45 and the activities of the Group Audit Committee and the Group Nomination and Governance Committee can be found on pages 49 to 54.

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 independent Key Functions: Risk, Compliance, Group Actuarial and Internal Audit.



The Group Audit Committee is responsible for the oversight of the effectiveness of the systems of internal control and financial reporting 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 Chief Compliance Officer, the Group Chief Actuary 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 and compliance issues, recommends the Group framework of risk limits and risk appetite to the Group Board for approval, and oversees the Group's risk management and compliance arrangements. The Committee ensures that the material compliance issues and 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 and Group Chief Compliance Officer have a 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.

Group committees operate on behalf of RSAIG and RSAI plc. The Group Audit Committee Terms of Reference have an express reference to make it clear that it is the audit committee for both RSAIG and RSAI plc (so confirming this point for RSAI plc for the purposes of Section 2 of the Audit Committee Part of the PRA Rulebook applicable to SII firms).

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 were:

- A change programme increased the number of leadership roles that have dual responsibilities across both Group Corporate Centre and UK, adding to such roles in Finance. The BRC is required to approve the creation of future leadership roles with both UK and Group responsibilities
- Amendments have been made to the allocation of oversight and reporting on control areas under the internal control framework as between the Group Audit Committee and BRC
- To facilitate rapid customer decisions during the impacts of Covid-19, UK Executive Management relied on a dedicated Design Authority Group, which reported into the UK Executive Team
- A short section on governance of the risks and reporting relating to climate change has been added to the Group and RSAI plc Systems of Governance document

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 RSAIG 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 RSAIG'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 RSAIG 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 RSAIG's 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 56 to 84 of the 2020 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	**6**
Share based awards	**7**
Total	**20**

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 £6,760,000 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 56 to 84 of the 2020 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

Dividends paid and proposed during the year are as follows.

	pence per share	£m
Ordinary dividend:		
Final paid in respect of prior year	**-**	**-**
Interim paid in respect of current year	**8.0**	**83**
	8.0	**83**
Preference dividend		**9**
Tier 1 notes coupon payment		**16**
		108

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

Due to the proposed takeover of RSA, a final dividend for 2020 is not being proposed, though were the transaction not to complete, the Board would intend to declare catchup payments thereafter. This also applies to the suspended final dividend for 2019.

The Company's preference shareholders receive a dividend at the rate of 7.375% per annum paid in two instalments on, or as near as practicably possible to, 1 April and 1 October each year, subject to approval by the Board.

As announced on 8 April 2020, the proposed final dividend to equity holders in respect of the year ended 31 December 2019 of 15.6p per ordinary share (amounting to a total dividend of £161m), as disclosed in the 2019 Annual Report and Accounts, was suspended.

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 Compliance works with the local Compliance teams (where applicable) to ensure the consistent implementation of this policy across the relevant Group entities.

In addition to the SII requirements, in the UK the SMCR implements a requirement for regulator pre-approval of persons appointed to Senior Manager positions in firms and a Certification Regime that covers Significant Harm Functions (defined as functions performed by employees who are not Senior Managers but who could pose a risk of significant harm to the regulated firm or its customers). In broad terms, Certified Persons are those individuals who through the conduct of their activities could conceivably do harm either to the firm, its clients or the wider market. These individuals are "certified", in the sense that the firm itself (rather than the PRA or FCA) certifies their "fitness and propriety" annually and on an on-going basis. The Certification Regime reinforces the onus on firms to ensure that their staff are fit and proper.

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:

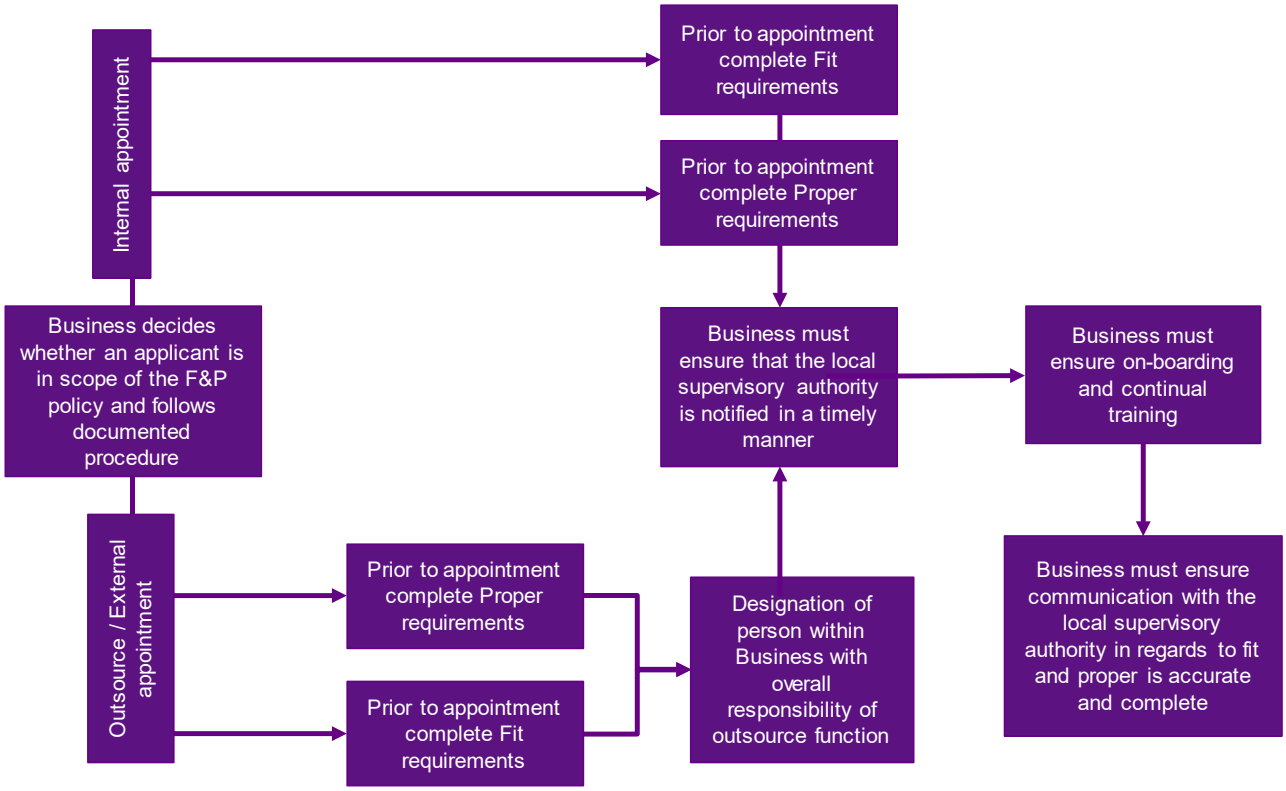
- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

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 risks)

Risk identification is the process of understanding and capturing any material threats or opportunities that could have a significant impact on the achievement of business objectives. Risk can be identified using a range of techniques and builds on the wide range of risk related management information gathered through the wider risk management system. This includes policy management and control assessment including control validation and assurance, stakeholder scenario workshops (attended by internal and external subject matter experts), incident reporting, and any analysis of risk incidents including a root cause analysis. Every member of the organisation should be continually evaluating the risks to their business area with formal governance required at a functional, regional and legal entity level.

Emerging risks are those risks that are starting to emerge or are where the understanding is not sufficiently developed to assess it. Emerging risks are identified through a discrete process operated by the second line with co-operation and support from the first line. They are reported separately to the BRC on an annual cycle, and once finalised shared with the Regional Risk and Control Committees for their consideration.

Risk measurement

Once risks have been identified the business assesses how material the risks are and whether the risk is inside appetite or outside appetite. At a functional, regional and legal entity level this is used to update the risk profile. The identified risks are documented in the business function's risk reports and risk profile 5*5 matrix. This records the likelihood of occurrence, the expected residual loss impact, and whether the residual risk is within risk appetite, and if not, whether there is an appropriate action plan. Assessments can be informed by the magnitude of historical incidents or with consideration of realistic scenario's and the potential impacts that would arise.

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.

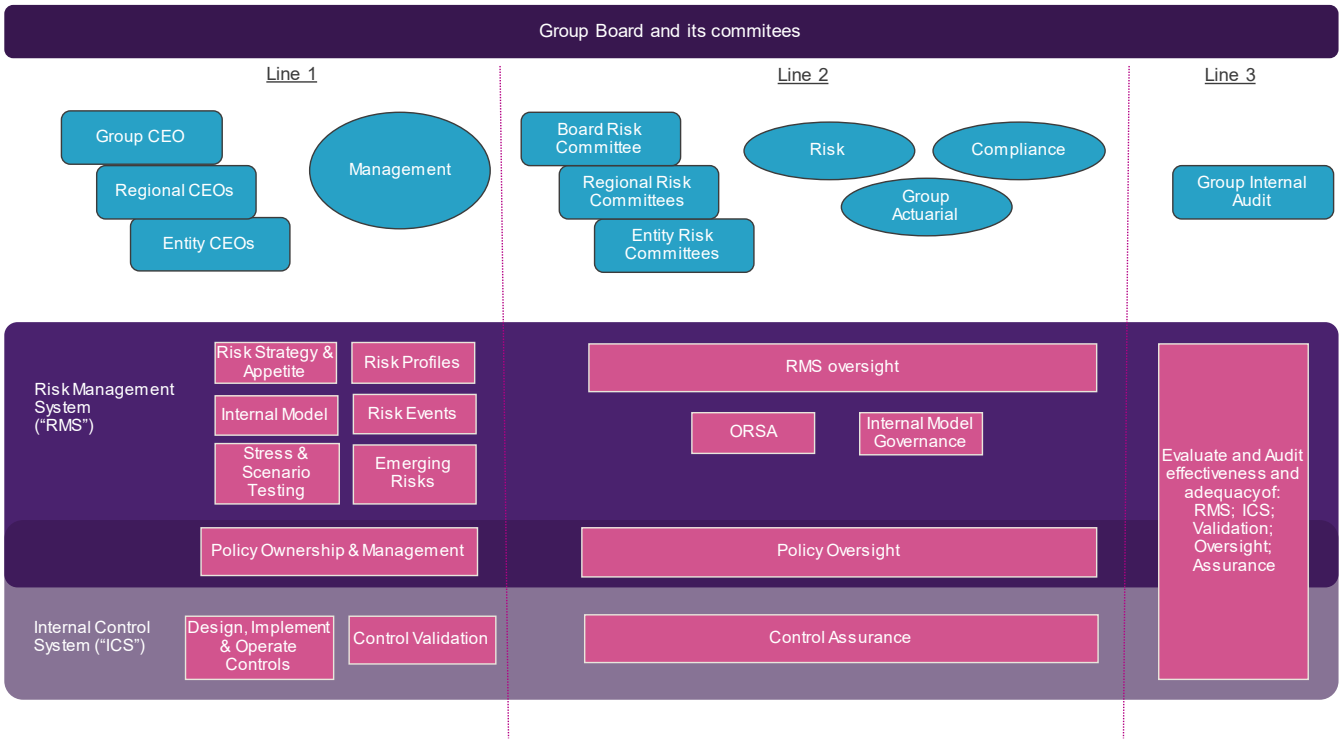
Risk reporting at the aggregate Group level is to the BRC and the Group executive level committees.

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 has approval from the PRA to use its internal model to calculate the Group SCR. This approval also applies to the UK Insurance Entities – RSAI plc, MIC and RSA Re.

Following the UK's exit from the European Union, PRA approval is no longer applicable for the Group's Scandinavian entities. During 2020, local approval was granted by the Danish FSA for Codan Forsikring A/S and the Scandinavian sub-group of entities (with parent company Codan A/S) to use an internal model to calculate their SCR.

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. Outputs of the internal model are used 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, allocating capital to individual lines of business, to key strategic decisions such as disposals.

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 governance framework is shown in the following table:

Responsibility	Body/Function	Activity
Held accountable but delegates Internal Model oversight responsibility to the BRC	Board	Monitors BRC activity and receives sufficient information to oversee the model and understand the output
Ensures the internal model has appropriate design, operation, risk coverage and compliance	BRC	Reviews and challenges Internal Model Governance Committee (IMGC) and planned model development activity, including through regular reporting of validation, internal model changes, results of model runs and associated sensitivities, as well as monitors the ongoing appropriateness of the internal model
Ensures operation within regulatory requirements and co-ordinates internal and regulatory economic capital processes	IMGC	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 programmes of model improvement including enhancing uses of the model
Undertakes programme of independent validation and reports results to BRC (with debate at IMGC)	Risk Function (Assurance Provider)	Performs model validation activity, identifies and monitors issues 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 IMGC is responsible for providing overall direction and 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 IMGC 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

Rule 14.1 of the SCR-Internal Models Part of the PRA Rulebook applicable to SII firms 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.

There is segregation of roles and responsibilities between the model validation team and the capital modelling team which develops and operates the model. Model validation is a Line 2 function reporting to the CRO whilst capital modelling is a Line 1 function reporting to the CFO.

Results and findings from the validation activities are regularly reported to the IMGC, BRC and ultimately the relevant legal entity Board, and at least annually in the form of a formal validation report.

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.

Two ORSA reports were approved by the Board during the recent cycle. An ad hoc ORSA was triggered in response to Covid-19 events, in July 2020. As a follow on from the July process an updated ORSA report was presented to the BRC in January 2021.

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:

- SII 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 Customer Risk)
- 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 2019, 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 across operational and technical matters, covered by separate policies
- 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 compliance framework is owned by the Compliance Function. Its purpose is to safeguard the Group, its customers, reputation and assets by promoting identification, understanding and compliance with all applicable regulatory risks and requirements. It does this through relevant policies, frameworks, effective communications and guidance, so supporting the business to promote a compliant culture throughout the organisation.

The compliance framework has been developed to deliver assurance over the Group's compliance with regulatory requirements to both internal and external stakeholders. It consists of a Compliance Mandate, Compliance Policy and related processes and tools. The policy documents the requirements that a Compliance Function must have in place in order to provide advice, guidance and assurance to the business, and operate as an effective 2nd line function within RSA's governance model. The framework establishes the minimum standards and controls to be applied in order to identify and mitigate the risk of regulatory breaches and censure relating to areas covered by the Compliance Function.

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

B.4.2. Compliance function

The Group Compliance Policy requires all Group businesses to have either a Compliance department or a person responsible for compliance. The Compliance Function is composed of a Group team and Regional Compliance teams.

The Compliance Function provides support, challenge and guidance across RSA operations to ensure that regulatory risks are identified, managed, mitigated to within appetite by the business, whilst promoting good customer outcomes.

In respect of its group-level activities, the Compliance Function provides leadership, oversight, challenge and support to the Regional & country Compliance teams. The Group team undertakes assurance reviews to ensure that the Regional teams have the appropriate resources and processes in place to comply with the Compliance Policy and so support the business need to

meet regulatory requirements effectively. The Group team then reports to the BRC every 6 months with an assessment of how the functions are meeting those requirements.

The Compliance Function establishes, implements and maintains an Annual Compliance Plan for the Group and UK setting out the compliance work to be undertaken in the upcoming year. The Group and UK plans are presented to the BRC for approval. Regular updates on progress and material changes are provided to the committees.

The Compliance Function leads and develops the relationship with the UK PRA, FCA and Information Commissioner's Office to achieve a mutually beneficial relationship with the regulators for the Group and the UK. It supports the Group in dealings with regulators in an open and co-operative manner and keeping them fully and promptly informed of all matters they may reasonably expect to be disclosed to them.

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 and its Committees, 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, programmes, 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, was seconded to, or was previously responsible for (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 approach to setting technical provisions uses appropriate homogenous risk groupings, methods, models, and assumptions and it assesses the appropriateness, completeness and accuracy of the underlying data and ensures that any limitations of data used have been appropriately dealt with. It applies methodologies and procedures to assess the sufficiency of the SII technical provisions. The Actuarial Function assesses the uncertainty associated with the technical provision estimates and informs on areas where experience has been different to expectation 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. The Actuarial Function cooperates closely with the Risk Management Function on issues such as oversight of our Internal Model, and, contributes to the effective implementation of the risk management system.

Independence of the Actuarial Function is achieved by regional Actuarial Functions and business unit actuarial teams retaining line one responsibility for the calculation of technical provisions. The regional business units and Actuarial Functions must confirm to the Group Actuarial Function that appropriate data, assumptions and methodologies have been used in preparing their estimates, and that all controls and governance have been successfully completed, in line with Group reserving policy. The Group Actuarial Function consolidates the business unit results into the total Group position and carries out independent review of the regional provision calculations in a line two capacity in order to fulfil its oversight responsibilities.

The Group Chief Actuary leads the Group Actuarial Function and has independent access to the Group Audit Committee. On an annual basis, the Group Actuarial Function agrees its areas of focus for the coming year with the Group Audit Committee. It produces Actuarial Function Reports summarising the key conclusions of the Actuarial Function's work along with recommendations on how any identified areas for improvement should be remedied. These Actuarial Function reports are presented to the Group Audit Committee and/or the BRC. The Group Actuarial Function also provides quarterly interim updates on SII technical provisions to the Group Audit Committee.

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 and Outsourcing 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 and Outsourcing 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 legal jurisdiction as the relevant local RSA entity (although many services are physically provided from overseas locations such as India).

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
- Fund management, custody and investment accounting

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 its business.

B.8.2 Any other material information

Nothing to report.

C. Risk Profile

In this section

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. Insurance risk includes claims risk and reserving risk and these are all described under the prescribed heading “C.1 Underwriting risk”.

As Pension risk is not a separate category in the prescribed SFCR structure, it is addressed under the “C.6 Other material risks” heading.

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 number of centrally managed fora to examine Group underwriting and claims issues, review and agree underwriting direction, promote collaboration and sharing of best practice 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, full insurance delegated authority arrangements 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, legislation changes, economic conditions and any other relevant information.

C.1.2 Measures used to assess risk

Underwriting and claims risk

The Group’s underwriting and claims 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. Claims risk indicators include assessment of financial controls, technical claims handling quality, case reserving, counter fraud performance and external delegated authority.

Portfolio strategy is reviewed quarterly under the Portfolio Review Risk Management process. 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.

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. The Group Reserving Committee recommends the level of technical provisions to be held to the Group Audit Committee.

While there have been no material changes to the measures used to assess risks during 2020, there is heightened uncertainty at the end of 2020 due to the impact of the Covid-19 pandemic which distorted our experience, data and trends. The impacts will take time to settle down, stabilise and become clear. Until then, the distortions noted make robust projection of the ultimate cost of claims more difficult than normal. While the Covid-19 uncertainty affects all business units and legal entities, the impact varies and will evolve over time.

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

- Emerging trends where Covid-19 has caused changes in experience along with analysis to demonstrate the impact on reserving estimates. Some areas have observed direct claims, whereas many other lines have seen material indirect changes in policyholder behaviour such as reduced frequency during lockdown. Changes in experience such as reduced claims frequency can result in a different mix or magnitude of claims and, therefore, exhibit different claims and runoff characteristics compared to historic experience.
- Material changes in the external claims environment in areas such as legal and medical activities which impact the speed of claims development have also been considered. The distortions in data caused by the various issues means identification of trends is more difficult than normal and results in increased uncertainty relating to actuarial indications of ultimate losses.
- The estimated impact of the Supreme Court judgement on 15 January 2021 relating to BI policy wording for Covid-19 is included in the actuarial indication of ultimate losses. Given the timing, the actuarial indication is based on initial interpretations of the judgement and modelling of expected numbers and value of eligible claims within the insured

population. Work to fully understand the various implications will continue in future months as claims profiles mature, and regulatory and legal interpretations develop.

- An actuarial indication of ultimate unpaid losses and the change in assessed ultimate claims cost over time, 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 2020 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, uncertainty arising from changes in the business and the external environment, 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

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, or that claims handling practices have changed and give rise to different future development to that expected. The risk that more claims are reported in future than anticipated, or that settlements cost more than we expect and claims severity increases. 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 or performance

During 2018, RSA operations commenced writing a small amount of affirmative cyber risks coverages with appropriate Reinsurance coverage purchased. RSA took action during 2020 to identify policy language that is ‘silent’ on cyber risks and where appropriate the policy language has been updated, these updates will continue as policies renew through 2021. No material accumulation of “silent cyber” exposure was identified through this review project.

During 2019 RSA introduced a new Special High Risk category to manage the transition to RSA’s risk appetite for an underwriting portfolio for energy production that is over 50% low carbon, as set out in RSA’s Low Carbon position paper and in line with the Group’s Climate Change action plan. During 2020 RSA has kept under review modelled exposures for identified impacted perils and policy liabilities.

During 2020 RSA has additionally focussed on managing the risks and mitigation activity in response to the COVID-19 global pandemic.

- The judgement from the FCA Test Case was received on 15th September and a review of the Disease Strategy released in July was undertaken considering the findings, engaging with internal and external Legal Counsel to ensure that the learnings from the case have been incorporated into the Group’s wordings. Parts of the judgement of the FCA Test Case were taken to appeal and this was heard in the Supreme Court with the final judgement delivered on 15th January. The judgement has been reviewed and no further additional actions have been identified as required on wordings, the focus is now on settling claims and communicating with customers.
- A Strategic Disease exclusion is being implemented for identified products, and, where affirmative cover is provided, the Disease Extension wording has been strengthened so that cover only responds to a specified disease that has manifested on the premises.

- A Communicable Disease exclusion applies to our 2021 Catastrophe, Property, C&E and Marine reinsurance treaties from 1st January. Communicable Disease exclusions on our original policies were implemented during 2020 so any residual Communicable Disease exposure is running off during 2021. We have evaluated these run-off exposures and do not consider it to be material.

The Technical Provision uncertainties relating to Covid19 (see section D.2.3 for further details) are relevant to reserve risk and, in some cases but to a far lower extent, also relevant to Reserving Risk.

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 2020.

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 £1.35bn (2020: £1.4bn) and C$3.2bn (2020: $3.4bn) 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 individual 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.

On 1st January 2021, RSA renewed the Group Volatility Cover (GVC) on a one year basis. RSA chose to place 75% of the GVC in order to balance the cost versus benefit of this protection. The GVC is purchased by RSAI plc and the cost / benefit is not currently allocated to other legal entities.

The key terms of the renewed GVC are as follows:

- Cover protects catastrophe event and individual large losses from our Property and Construction & Engineering portfolios
- Qualifying GVC losses are accumulated across our financial year
- Cover attaches where the total of our qualifying losses is greater than £160m
- Qualifying losses are calculated net of our main catastrophe and large loss reinsurance covers
- Catastrophe event losses qualify in full when they exceed £10m
- Individual large losses qualify in excess of a £5m deductible
- Limit of cover is £125m
- The £125m limit is also available as a top-most layer on the Catastrophe reinsurance programme for Catastrophe events outside of Europe (but maximum £125m limit in any one year for the aggregate and top layer Cat sections combined)

Alongside the GVC, the Group continued to purchase additional aggregate cover for large losses below C$10m in Canada. The Group chose not to renew the large loss aggregate covers in the UK and Scandinavia.

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 (GIC), 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 (GAMC) reviews and approves any substantive changes to the balance of the Group's investment funds within the strategy framework agreed by the GIC. 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 GAMC. This includes limits on asset class exposures, single counterparty exposures, aggregate exposure to bonds by credit rating, portfolio duration. 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.

The Group has made an allocation to illiquid credit (the majority of these are investment grade credits). Aggregate allocation to illiquid credit is reviewed by the GIC and all new investments are approved by GAMC and monitored by the Illiquid Credit Review Committee.

The Group has its own credit review methodology that takes into account ratings from the major credit rating agencies as well as other risk analysis including that undertaken by external fund managers. The Credit Rating Review Committee (CRRC) is responsible for reviewing and assigning credit ratings to material exposure as well as those that do not have any credit rating under the Group's standard methodology.

A small 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 largely managed at a Group level through currency forward, swap 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 2020.

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

The Group has continued to maintain a high quality investment portfolio and regularly monitors developments in the performance of its assets. It is noted that Covid-19 related developments have led to increased pressures on certain sectors and holdings including property related assets. We do not, however, consider overall market risk to be materially changed.

There have been no material changes to the material risks during 2020.

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. 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 2020, the Group held over 55% 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 as at 31 December 2020.

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 circa 27% of the investments in the SII balance sheet comprising government securities (see section 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 65% rated AA or above. Counterparty concentration risk is limited through limits placed on single counterparties. 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 and a half years of benchmarks which are established to provide a broad match to liabilties. Exposures are monitored by the Group Risk, Investments & Treasury Committee on a monthly basis and reported to the GAMC

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 swap 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 a number of the Group's committees, including the GAMC, review the exposures on a regular basis to ensure they remain within the Group's risk appetite.

The Group considers Economic, Social and Governance (ESG) factors in the management of its market and credit exposures. When reviewing or considering the appointment of investment managers, account is taken of their approach with respect to sustainable investing, including voting policies and engagement. The Group also utilises third party data services to help monitor ESG exposures.

The Group considers factors impacting climate change and has made a commitment not to invest in the following:

- Investments in projects relating to energy exploration, extraction or production in the Arctic or Antarctic region;
- Investment in projects relating to exploration, construction or operation of coal mines commissioned in 2015 or later;
- New investment in thermal coal, oil sands and shales projects and pipelines;
- New investments in power utilities that generate more than 30% of revenue/capacity from thermal coal power generation, except where a transition plan indicates the company will be below the 30% threshold within 3 years.

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.

The Group has continued to maintain a high quality investment portfolio and regularly monitors developments in the performance of its assets. It is noted that Covid-19 related developments have led to increased pressures on certain sectors and holdings including property related assets. We do not, however, consider overall credit risks to be materially changed.

There have been no material changes to the measures used to assess risks during 2020.

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 an 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

The Group has continued to maintain a high quality investment portfolio and regularly monitors developments in the performance of its assets. It is noted that Covid-19 related developments have led to increased pressures on certain sectors and holdings including property related assets. We do not, however, consider overall credit risks to be materially changed.

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 arising 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.

As a result of the Covid-19 pandemic, there was increased credit risk arising from insurance operations during 2020. See section C.3.6.3 for mitigating actions.

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's (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 2020, 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 6.3% of the Group's total financial assets.

In addition to exposure from these active reinsurance arrangements, RSA has reinsurance receivables due from Motability Operations Reinsurance Limited which is protected by a guarantee. At 31 December 2020, the reinsurance asset recoverable was equal to 3.2% 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 2020, no individual Letters 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 GAMC 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 GAMC. In addition, the Group Risk, Investments & Treasury Committee reviews exposures against the GAMC limits for the major operations, as well as the BRC limits for the aggregate global position, on a monthly basis and reports to the GAMC.

In addition, the Group has its own credit assessment methodology that takes into account ratings from the major credit rating agencies as well as other risk analysis including that undertaken by external fund managers. The CRRC is responsible for reviewing and assigning credit ratings to material exposure as well as those that do not have any credit rating under the Group's standard methodology.

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 (and during 2020 on a more frequent basis, in response to heightened credit risk):

- Aged debtors and balances
- Breakdown of debtors

- Top 20 debtors, how much they owe, their credit rating (Standard and 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

During 2020 the Group has offered payment relief to customers experiencing financial difficulty as a result of Covid-19, and has increased credit risk monitoring to proactively manage the financial risk from the current economic environment and the provision for bad debts is being assessed on a regular basis.

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.

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 suffer from any or all of the following: being unable to liquidate assets, secure funding or contingency funding arrangements, those arrangements contain excessive or prohibitive clauses, and the withdrawal or curtailment of funding facilities
- **Foreign currency liquidity risk** - the risk that actual 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 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 a range of liquidity Key Performance Indicators to measure the proportion of assets and sources of liquidity that can be accessed within specified time periods, including overnight and 20 working days

There have been no material changes to the measures used to assess risks during 2020.

C.4.3 Material risks

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

The Group monitors the impact of Covid-19 on liquidity on a frequent basis, including through daily key performance indicators. In relation to Covid-19 the Group notes that some liquidity risk factors have increased, such as the potential for customer premium deferrals and the provision of other support mechanisms, while other factors have decreased, such as claims frequency. On an aggregate basis we do not consider the impact on liquidity risk to be material.

There have been no other material changes to the material risks during 2020.

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 established 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 6 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 in-force contracts with premium amounts due in the future and 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 2020 the Group EPIFP gross of reinsurance was £312m.

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.

Notwithstanding this, a range of liquidity stress tests are carried out on a quarterly basis for all material insurance operations.

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 and Internal Control 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.

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 2020.

C.5.3 Material risks

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

Risk	Description
Programme Transformation Change	A major project critical to strategic business objectives run behind schedule and/or incur additional unbudgeted costs. 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.
Legal/ Legislative Non-Compliance	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 changes in business practices/decisions. 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. Receipt of bribes or inducements to secure business/opportunities, acting in a way considered anti-competitive.
Inappropriate Underwriting	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.
Loss of a Material Reinsurance Recovery	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.
Theft or Corruption of Data	An external party attacks the firm's IT systems with the purpose of defrauding the firm, theft or corruption of data, destroying systems, etc. A firm loses or discloses customer records/personal details as a result of staff negligence or loss of mobile media devices.
Financial reporting and accounting errors	Inadequate financial processes that result in financial accounting and/or reporting errors and misstatement of financial accounts.

Risk	Description
Regulatory Breach	Regulatory breaches or failures that cause detriment to customers, clients or significant trading partners, including incorrect licensing or permissions. Failure to comply with changes in regulations issued by relevant authorities in the prescribed time. Inadequate sanctions systems, processes or failed sanction controls.
Business Interruption	A disaster recovery event causing damage or disruption to business operations, assets, utilities and third parties, including natural disaster, war, riots, terrorism, pandemic, explosion, vandalism, social unrest, fire, etc. Systems (software or hardware) failure resulting in staff being unable to use critical systems to work.
Third Party Management	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.

The risk profile of the RSA Group has not fundamentally changed as a result of Covid-19, although some operational risks have been heightened. Operational resilience mechanisms have been particularly important in 2020 as the operating environment created by Covid-19 led lockdowns has increased some aspects of the operational risk.

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. Climate Change risks have been considered, although the operational risk implications are minimal in the short term and factored into existing assessments. These include regulatory risks associated with the Group's response and planning for climate change and operational resilience considerations from worsening weather events.

Customer related risks are a key factor in the assessment and management of the risks above. Customer impacts can arise from a number of risks across the different risk types, however customer risk is treated predominately under the operational risk category with a focus on speciifc controls as outlined in the Customer Policy. Whilst each risk listed above has customer implications the most signifcant relate to change, inappropriate underwriting, data, business interruption and third party management. Since the early phases of the pandemic, customer focus and governance has continued to be strong.

People risk has been identified as a key risk as a result of the takeover bid. The Group has undertaken mitigation actions such as regular HR and Audit meetings to consider emerging people risk hotspots, sustained focus on retaining key resources and increased attention to handover from leavers.

In relation to Financial reporting and accounting errors risk, during the year a balance sheet remediation programme in Sweden led to an adjustment of £32m to the Group's insurance debtors. For further details see note 30 of the Group's Annual Report and Accounts. The operational risk profile was not changed as a result of this programme.

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 and Internal Control 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 47 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 a regular 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 and controls 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, or transforming processes and procedures
- **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 risk and 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
- 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 £9bn-£10bn. 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 paying regard to 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.

The Group agreed to ultimately fund the schemes to a lower-risk secondary funding measure over time as part of the 2018 triennial funding valuations for the two large UK pension schemes.

There have been no material changes to the measures used to assess risks during 2020.

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 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).

The potential impacts of Covid-19 on the pension schemes are well understood and do not fundamentally change the key risk exposures.

There have been no material changes to the material risks during 2020.

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 £400m. 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)**	**6,506**	**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 (c35% 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.

The Trustees of the schemes manage the risks associated with climate change through an integrated risk management framework which informs the schemes' investment policies. Investments are evaluated for sustainability, with a focus on factors arising from ESG considerations. When reviewing or considering the appointment of managers, account is taken of their approach with respect to sustainable investing, including voting policies and engagement. The Trustees also encourage their

investment managers to comply with the UK Stewardship Code as best practice or explain if there are areas where they do not adhere to its policies.

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

During the year, the Group performs a stress and scenario testing exercise aimed at quantifying the impact on own funds and solvency coverage ratio of a number of adverse scenarios, including a reverse stress test. This scenario set is agreed with senior management and the BRC. The exercise is led by the Group 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 are formally approved by the BRC.

All entities must perform their own stress and scenario testing exercise on an annual basis following a governance process similar to the Group. Oversight of entity scenario analysis is provided by the Group Risk function.

In addition, the Group performs a range of sensitivity tests to assess how capital surplus will respond – mainly focused on the Group SCR but also where relevant on other internally used measures. Additional tests are also performed to assess the responsiveness of the Group SCR to different assumptions.

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

A selection of key sensitivities are published externally as part of the annual results process and included in the Group Annual Report and Accounts. These are reproduced here.

SII coverage ratio sensitivity

As at 31 December 2020 the Group's coverage ratio is 189%. The following table shows the change in the coverage ratio due to different hypothetical market changes and a catastrophe.

Sensitivities (change in coverage ratio)[1]	Including pensions[2]	Excluding pensions
Interest rates: +1% non-parallel[3] shift	**6%**	**7%**
Interest rates: -1% non-parallel[3] shift	**(9%)**	**(9%)**
Equities: -15%	**(6%)**	**(2%)**
Property: -10%	**(3%)**	**(2%)**
Foreign exchange: GBP +10% vs all currencies	**(6%)**	**(6%)**
Cat loss of £75m net of reinsurance	**(4%)**	**(4%)**
Credit spreads: +0.25%[4] parallel shift	**(1%)**	**(2%)**
Credit spreads: -0.25%[4] parallel shift	**(9%)**	**2%**

The above sensitivities have been considered in isolation. The impact of a combination of sensitivities may be different to the individual outcomes stated above. Where an IFRS valuation of a pension scheme surplus is restricted under SII, downside pension sensitivities may be dampened relative to those shown. In particular, given the level of pension surplus at 31 December 2020, RSA would expect Group capital sensitivities to be more in line with the ex-pensions view above for more modest levels of market movements.

In Q1 2020, the Group was granted approval to apply the volatility adjustment, which reduces its exposure to spread movements and is reflected in the sensitivities above.

[1]Sensitivities have been calibrated to a FY20 coverage ratio that includes dividend accrual, further adjusted for the UK pension contributions paid in January 2021

[2] The impact of pensions depends significantly on the opening position of the schemes and market conditions. As such, the sensitivities shown are point-in-time estimates that will vary and should not be extrapolated

[3] The interest rate sensitivity assumes a non-parallel shift in the yield curve to reflect that the long end of the yield curve is typically more stable than the short end

[4] The asymmetry in credit spread sensitivities reflects the fact that upside pension sensitivities are restricted to the surplus cap. Sensitivities assume that credit spreads of different rating all move by the same amount and hence reflect an assumed offset between the impact on assets held and the IFRS value of pension scheme obligations which could differ in practice

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):

	Changes in assumption	2020 £m	2019 £m
Discount rate	Increase by 0.25%	**(369)**	(334)
	Decrease by 0.25%	**394**	357
RPI / CPI [1]	Increase by 0.25%	**233**	211
	Decrease by 0.25%	**(227)**	(205)
Core mortality rates [2]	Reduce by 12%	**376**	328
	Increase by 12%	**(377)**	(371)
Long-term future improvements to longevity	Increase by 0.25%	**84**	73
	Decrease by 0.25%	**(83)**	(72)

[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 2020	**(71)**	**87**	**(75)**	**91**	**(13)**	**16**
Movement in shareholders' equity at 31 December 2019	(48)	59	(59)	72	(10)	13

D. Valuation for Solvency Purposes

In this section

This section sets out the basis of preparation and assumptions used in the valuation under SII of the assets, technical provisions and other liabilities of the Group for each material class.

SII requires assets and liabilities to be valued on a basis that reflects their fair value ("economic valuation") with the exception that liabilities should not be adjusted to take account of changes in an insurer's own credit standing. Fair value reflects the amount that the Group would receive if an asset was sold, or would have to pay to settle a liability in an arm's length transaction between willing parties.

The valuation of assets and liabilities for SII begins with IFRS values (which has an equivalent definition of fair value) and adjusts for specific differences between SII and IFRS. Where there are such differences between the SII and IFRS bases of valuation, these are described in Sections D.1 – D.4. For assets and liabilities where 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 is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate the Group's Solvency Capital Requirement which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

Group SII balance sheet

The table below shows the IFRS financial statements values, compared to the SII balance sheet. Adjustments made between IFRS and SII are classified into two categories:

- Reclassifications of the IFRS balance sheet into SII categories. These are principally of three types: reclassification of financial instruments, items classified as held for sale and movement from line-by-line consolidation to adjusted equity method for certain subsidiaries. These adjustments are required for SII presentation purposes only and do not result in valuation differences.
- Revaluation adjustments, where IFRS valuation techniques are not considered to be consistent with SII requirements

	Financial statements note	Financial statements value	Reclass-ification	SII valuation adjustments	Solvency II value	SFCR section
		£m	£m	£m	£m	
Goodwill and intangible assets	23	868	(77)	(791)	-	D.1.1.1
Deferred tax assets	31	199	(10)	17	206	D.1.1.4
Pension benefit surplus	41	379	-	-	379	D.1.1.5
Property, plant & equipment held for own use	24	237	(31)	(29)	177	D.1.1.6
Investments (other than assets held for index-linked and unit-linked contracts)		11,812	714	(73)	12,453	
Property (other than for own use)	25	285	-	-	285	D.1.1.7
Holdings in related undertakings, including participations		5	181	(73)	113	D.1.1.8
Equities	26	673	(300)	-	373	D.1.1.9
Bonds	26	10,724	(208)	-	10,516	D.1.1.9
Collective Investments Undertakings		-	747	-	747	D.1.1.9
Derivatives	30	125	-	-	125	D.1.1.9
Deposits other than cash equivalents		-	294	-	294	D.1.1.9
Loans and mortgages	26	429	(1)	-	428	D.1.1.9
Reinsurance recoverables	29	2,340	-	(816)	1,524	D.2
Insurance and intermediaries receivables	30	2,870	(31)	(2,577)	262	D.1.1.9
Reinsurance receivables	30	119	-	(29)	90	D.1.1.9
Receivables (trade, not insurance)	31	183	(14)	-	169	D.1.1.9
Cash and cash equivalents	33	1,094	(565)	-	529	D.1.1.9
Any other assets, not elsewhere shown		176	518	(648)	46	D.1.1.9
Total assets		20,706	503	(4,946)	16,263	
Technical provisions	39	12,614	624	(2,767)	10,471	D.2
Provisions other than technical provisions	42	68	(2)	-	66	D.3.1.3
Pension benefit obligations	42	104	(26)	-	78	D.1.1.5
Deferred tax liabilities	31	105	1	(64)	42	D.1.1.4
Derivatives	26	145	-	-	145	D.3.1.1
Debts owed to credit institutions	38	132	-	-	132	D.3.1.1
Financial liabilities other than debts owed to credit institutions	37	348	-	13	361	D.3.1.1
Insurance & intermediaries payables	40	121	53	(102)	72	D.3.1.1
Reinsurance payables	40	811	(61)	(705)	45	D.3.1.1
Payables (trade, not insurance)		622	(47)	-	575	D.3.1.1
Subordinated liabilities	37	403	-	73	476	D.3.1.1
Any other liabilities, not elsewhere shown		503	(39)	2	466	D.3.1.1
Total liabilities		15,976	503	(3,550)	12,929	
Excess of assets over liabilities		4,730	-	(1,396)	3,334	

Method of consolidation

Method

The accounting consolidation method (Method 1) as defined by Article 335 of the Solvency II Delegated Regulation 2015/35 (as brought into UK law by Section 3 of the European Union (Withdrawal) Act 2018) ("the Delegated Acts") has been adopted in preparation of the Group SII balance sheet.

The key differences between the SII and IFRS consolidation approaches are shown below:

- Investments in participations that are non-controlled insurance or reinsurance companies are consolidated using the adjusted equity method, after elimination of intra-group transactions. The valuation of the investment is calculated as the appropriate share of that participation's excess of assets over liabilities, using SII valuation rules. The value of the investment is included in the "participations" line in the SII balance sheet

- Participations that are neither insurance or reinsurance companies nor insurance holding companies, are also valued using the adjusted equity method (or sectoral rules, if applicable) after elimination of intra-group transactions. If that is not possible, the equity method under IFRS (with any goodwill and inadmissible intangible assets valued at nil) is adopted. This applies irrespective of whether the participation is in a net assets or net liability position

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

Scope

No entities in the scope of IFRS consolidation have been excluded from the scope of the Group SII balance sheet consolidation.

D.1 Assets

D.1.1 Valuation of assets

The assets of the Group are valued in accordance with the Valuation Part of the PRA Rulebook applicable to SII firms, related articles of the Delegated Acts 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
- where relevant, details of estimation techniques, risks and uncertainties relating to these valuations
- an explanation of any material differences in SII valuations compared to IFRS

There were no changes made to the recognition and valuation bases used or to estimation approaches during the period, other than the application of the volatility adjustment to technical provisions (see Sections D.2.4 and D.2.6 for further information).

D.1.1.1 Goodwill

Goodwill is valued at £nil under SII. Goodwill reported under IFRS is therefore eliminated in the SII balance sheet, with corresponding adjustments to deferred taxes and non-controlling interests.

D.1.1.2 Intangible assets

Under SII, intangible assets are ascribed a value only where they can be sold separately and there are demonstrable quoted prices in an active market for the same or similar assets. Where this is the case, the asset is valued in accordance with the SII valuation hierarchy.

The Group's IFRS intangible assets are deemed not capable of being sold separately and do not have quoted prices on an active market (nor do such prices exist for similar assets). Intangible assets are therefore valued at £nil in the SII balance sheet.

D.1.1.3 Deferred acquisition costs

Deferred acquisition costs (DAC) recognised on the IFRS balance sheet comprise the direct and indirect costs of obtaining and processing new insurance business. In the IFRS balance sheet for the Group, DAC is deducted from the provision for unearned premiums (for RSAI, RSA Re and MIC, DAC is included in Prepayments and Accrued Income).

DAC is valued at £nil under SII, and acquisition costs not incurred by the reporting date are included in the calculation of technical provisions.

D.1.1.4 Deferred tax assets and liabilities

The valuation method for deferred tax balances is the same under IFRS and SII. Deferred tax is provided in full using the IAS 12 liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts on the SII balance sheet. IFRS to SII valuation adjustments are therefore considered in assessing the temporary differences upon which the deferred taxes are derived.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled.

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

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

D.1.1.5 Pension benefit surplus and deficits

Pension schemes are recognised and valued on the balance sheet in the same way under both IFRS and SII, as the requirements of IAS 19 are considered to be consistent with those of SII.

Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged in the period during which the employment services qualifying for the benefit are provided.

Defined benefit pension schemes

The value of the net defined benefit asset/(liability) of each scheme is calculated individually as follows:

- The fair value at the end of the reporting period of the scheme assets from which the obligations are to be settled directly
- Less: the present value of defined benefit obligation of the scheme at the end of the reporting period

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 below for further details).

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 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.

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.

Remeasurements of the net defined benefit asset or liability comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit asset or liability). Actuarial gains and losses arise from changes to actuarial assumptions when revaluing future benefits and from actual experience in respect of scheme liabilities.

The amounts charged (or credited where relevant) relating to post retirement benefits in respect of defined benefit schemes are as follows:

- The current service cost
- The past service costs and gains or losses on settlements/curtailments
- Net interest on the net defined benefit liability/(asset)
- Administration costs of operating the pension schemes

Estimation techniques, risks and uncertainties

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.

D.1.1.6 Property, plant and equipment

Property, plant and equipment is included in the SII balance sheet at fair value, and comprises

- Group occupied land and buildings
- Fixtures, fittings and equipment (including computer hardware and motor vehicles).

Under IFRS reporting, Group occupied land and buildings are stated at fair value (calculated on a vacant possession basis by third-party valuers; see Section D.1.1.7 for further details), and therefore no adjustment is made on the SII balance sheet.

For all other property and equipment, including lease assets recognised under IFRS 16, IFRS values (depreciated or amortised cost) are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

D.1.1.7 Property other than for own use

Investment property, comprising freehold and leasehold land and buildings is recorded at fair value for IFRS and SII.

Estimation techniques, risks and uncertainties

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 Group occupied properties and investment properties are based on the comparative method of valuation with reference to sales of other comparable buildings. Fair value is then determined based on the locational qualities and physical building characteristics (principally condition, size, specification and layout) together with factoring in the occupational lease terms and tenant covenant strength as appropriate.

D.1.1.8 Participations and related undertakings (subsidiaries, associates and joint ventures)

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, and therefore represents IFRS subsidiaries, associates and joint ventures.

Group balance sheet

In the Group balance sheet, the method of consolidation and valuation of participations is dependent on the type of entity and level of influence. See Section D. ‘Method of Consolidation’ for further details.

Solo entity balance sheets

This section applies to balance sheets prepared by the solo entities, included in Appendices 2, 3 and 4.

Investments in directly owned subsidiaries and associates are accounted for as available for sale financial assets under IFRS reporting, and consequently valued at fair value.

For SII, investments in participations that are insurance companies and that do not have quoted market prices are valued using the adjusted equity method (calculated as the appropriate share of that participation's excess of assets over liabilities, using SII valuation rules). The balance sheet of that participation is adjusted to SII rules before the share of net assets in the investment is valued.

If the participation is not an insurance, or reinsurance, company, the same method is adopted. If this is not possible, the IFRS equity method (with any goodwill and inadmissible intangible assets valued at nil) is adopted instead. This applies irrespective of whether the participation is in a net assets or net liability position.

D.1.1.9 Financial assets

Financial assets are valued at fair value for both IFRS and SII. The methods and assumptions used by the Group in estimating the fair value of financial assets are:

- Equity securities: fair values are based upon quoted market prices where available, or according to the three-level fair value hierarchy (see note 27 of the Group's Annual Report and Accounts for further details).
- Bonds: fair values are 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. Under SII, accrued interest is reclassified from other debtors to the relevant instruments
- Collective investment schemes: quoted market prices are used where available. Where this is not possible, 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 IFRS values approximate to fair values, and no valuation adjustments are made under SII
- Derivatives: fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices
- Cash and deposits, and loans and mortgages: IFRS carrying amounts approximate to fair values. For SII reporting, except for cash in hand, accrued interest is added to the relevant instruments and balances, reclassified from other assets.
- Receivables and other assets: IFRS carrying amounts approximate to fair values. 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
- Prepayments: prepaid expenses that are considered to have no future economic value are valued at £nil under SII

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 are used. See Section D.2 for more details.

D.1.2 Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

	Asset £m	Liability £m
Deferred tax assets/liabilities	**206**	**42**

The following table sets out the deferred tax assets and liabilities recognised by the Group, split by main categories:

	£m
Net unrealised gains on investments	(70)
Intangibles valuation	12
Tax losses and unused tax credits	68
Accrued costs deductible when settled	98
Retirement benefit obligations	8
Capital allowances	69
Provisions and other temporary differences	12
Technical provisions	(33)
Net deferred tax position at 31 December	**164**

Of the total deferred tax asset of £206m recognised by the Group, £188m relates to tax jurisdictions in which the Group has suffered a tax loss in either the current or preceding period; £181m of which relates to the UK.

Tax rates

The table below summarises the tax rates applied for the core jurisdictions in which the Group operates.

	2020	2019
UK	**19.0 %**	**17.0** %
Canada	**26.5 %**	**27.4** %
Denmark	**22.0 %**	**22.0** %
Ireland	**12.5 %**	**12.5** %
Sweden	**20.6 %**	**20.6** %
Norway	**25.0 %**	**25.0** %

Deferred tax assets and liabilities are recognised based on tax rates that have been substantively enacted at the balance sheet date. A change to the UK corporation tax rate was substantively enacted during the year to maintain the 19% rate, rather than implement the previously enacted reduction to 17% from 1 April 2020.

The Chancellor of the Exchequer announced in the March 2021 Budget that the rate of UK corporation tax will increase from 19% to 25% from April 2023. Given this is not substantively enacted at the balance sheet date, it is not reflected in the value of the deferred tax assets and liabilities recognised at 31 December 2020.

There has been no material impact on deferred tax assets and liabilities due to a change in tax rates from the previous period. The increase in the UK corporation tax rate from 17% to 19% had the effect of increasing the UK deferred tax asset by £21m. An equivalent valuation allowance has been booked to the UK deferred tax asset and so the net UK deferred tax asset remains largely unchanged at £181m.

Unrecognised tax assets

At the end of the reporting period, the Group had the following unrecognised tax assets:

	Gross amount £m	Tax effect £m
Trading tax losses	**1,533**	**287**
Capital tax losses	**1,298**	**247**
Deductible temporary differences	**864**	**162**
Unrecognised tax assets as at 31 December	**3,695**	**696**

The Group's unrecognised trading losses are predominantly located in the UK and Ireland and represent losses which are not expected to be utilised within the forecast profit period. Unrecognised capital losses mainly relate to the UK and have not been recognised as it is not considered probable that they will be utilised in the future as most UK capital gains are exempt from tax. £2m of the gross trading tax losses are attributable to Luxembourg and will expire in 2036.

Deferred tax asset recognition

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. 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 continues to be supportable.

The majority of the deferred tax asset recognised based on future profits is that in respect of the UK. The evidence for the future taxable profits is a seven-year forecast based on the three year operational plans prepared by the relevant businesses and a further four years of extrapolation, which are subject to internal review and challenge, including by the Board. The four years of extrapolation assumes UK premium growth of 5% per annum and overseas premium growth of 3% to 5% where relevant to UK profit projections. The forecasts include the impact of Covid-19 on future taxable profits and a contingency allowance of £25m per annum.

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of downward movements in key assumptions on the value of the UK deferred tax asset is summarised below. The relationship between the UK deferred tax asset and the sensitivities below is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the table below will be indicative only.

	£m
1% increase in combined operating ratio across all 7 years	**(16)**
1 year reduction in the forecast modelling period	**(18)**
50 basis points decrease in bond yields	**(6)**
1% decrease in annual premium growth[1]	**(1)**

[1] In respect of the extrapolated years four to seven only.

In addition to the impact on the UK deferred tax asset of downwards movements in the key assumptions set out above, further specific downside scenarios have been modelled at 31 December 2020:

- Mild and severe UK downside scenarios each reflecting a reduction in premiums for each business due to wider economic uncertainty; an earlier implementation of the FCA thematic review on pricing than the current assumption; an increase in bad debts following the removal of government financial support; some worsening of other key assumptions such as weather and large losses; lower prior year development and higher claims inflation due to Brexit. These downside scenarios also include a proportion of the Canada, Ireland and Europe downside scenario outcomes (due to intra-group reinsurance transactions)
- The impact of a significant single catastrophe event in the UK on forecast future profits (after the impact of existing reinsurance arrangements)
- The impact of using a five year forecast period for modelling future UK profits rather than seven
- A downside scenario for “uncommitted savings” which excludes the benefit of cost savings in the operational plan where they are not fully committed, including any costs of achieving those savings

The impact of these scenarios on forecast UK profits and the deferred tax asset is summarised below:

	Profits £m	DTA £m
Mild downside scenario	**(106)**	(10)
Severe downside scenario	**(172)**	(18)
Significant catastrophe event	**(19)**	(2)
2 year reduction in the forecast period	**(315)**	(36)
Uncommitted savings	**(35)**	(3)

The proposed takeover of the RSA Group poses a material risk to the UK deferred tax asset as there is increased uncertainty in the profit forecasts, particularly in relation to certain intra-group transactions which form a material part of the UK forecast profits. It is not appropriate to take the transaction into account for DTA purposes at 31 December 2020 as there is no certainty over what actions or decisions the purchaser may take if the acquisition completes. Any impact of the acquisition on the UK deferred tax asset will be reflected once the transaction is complete and more detailed information is available.

Procedure

The procedure for calculating 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 financial statements 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 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:

- SII technical provisions include a risk margin calculated on a different basis to the margin held above best estimate in IFRS
- Differences in discounting. In SII all technical provision cash flows are discounted using the PRA 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 the best estimate of liability cash flows and not an unearned premium reserve (as is used 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 £m	Risk Margin £m	Accounts Value £m	Difference £m
Direct Business and Accepted Proportional Reinsurance	Medical Expense	**56**	**5**	**137**	**(76)**
	Income Protection	**946**	**77**	**1,102**	**(79)**
	Workers Compensation	**271**	**23**	**310**	**(16)**
	Motor Vehicle Liability	**2,213**	**157**	**2,967**	**(597)**
	Other Motor	**127**	**22**	**327**	**(178)**
	Marine, Aviation and Transport	**289**	**15**	**342**	**(38)**
	Fire and Other Damage to Property	**1,862**	**105**	**2,536**	**(569)**
	General Liability	**1,590**	**109**	**1,700**	**(1)**
Other Non-Life Direct and Accepted Reinsurance Lines		**48**	**8**	**95**	**(39)**
Life & Health Insurance Lines (including Annuities Stemming from Non-Life)		**897**	**128**	**758**	**267**
TOTAL		**8,299**	**649**	**10,274**	**(1,326)**

Notes

(1) Allowance for future premium within SII Technical Provisions is a significant difference impacting multiple lines of business. These are Medical Expenses, Motor Vehicle Liability, Other Motor, Marine Aviation & Transport, Fire & Other Damage to Property and Income Protection insurance.

(2) Expected profit or loss within the UPR is deferred under IFRS until it is earned. However, on a Solvency II basis, this expected profit or loss is recognised up front when the contract is bound.

(3) Risk Margin held under SII is higher than the margin in the Outstanding Claims Provisions under IFRS. This is because Risk Margin is defined differently to margin under IFRS which is a more simple buffer for risks around the AI. The Risk Margin, on the other hand, covers cost of holding capital until runoff.

(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:

Claims provision + Premium provision + Risk margin

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) 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 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, future inflation and estimated claims settlement amounts.

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.

Future claims cash flows include an allowance for ENIDs.

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 are not provided for 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 PRA.

The risk margin is calculated by determining the present value of the cost of holding the SCR necessary to support RSAIG'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

Under the legal obligation basis of Solvency II, 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 (BBNI) business). Aside from some specific multi-year contracts and tacit renewals, due to the low materiality the Group generally does not value bound but unincepted contracts outside our Scandinavian entity. For Scandinavia, BBNI business is valued in line with SII directives because it is 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, eg 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 bodily injury 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 handling and 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 emergence of Covid-19 during 2020 gives rise to a material new uncertainty with regard to estimating technical provisions. Covid-19 has increased the level of estimation uncertainty with key assumptions impacted, such as frequency, severity and claims development patterns. There is also increased uncertainty relating to the valuation of Covid-19 business interruption (BI) claims. The initial assessed impact of recent court judgements has been included in the best estimate at the end of the reporting period. The ultimate liability could be materially different from the current estimate as legal interpretations and regulatory expectations develop and clarify the criteria for eligible claims, further information becomes available with regard to the number of eligible claimants who meet the required claim criteria, and the extent to which losses are recoverable under reinsurance contracts which depends upon the extent to which reinsurance responds in the manner the company expects. If the outcome of litigation differs to our expectation this could give rise to a change in the assessed cost.

D.2.4 Use of adjustments and transitionals

In valuing the Group's technical provisions, none of the following were applied during the year:

- the Matching Adjustment referred to in Regulation 42 of the Solvency 2 Regulations 2015
- the transitional risk-free interest rate-term structure referred to in Section 10 of the Transitional Measures Part of the PRA Rulebook applicable to SII firms
- the transitional deduction referred to in Section 11 of the Transitional Measures Part of the PRA Rulebook applicable to SII firms

In March 2020, the Group received approval from the PRA to apply the Volatility Adjustment, as referred to in Regulation 43 of the Solvency 2 Regulations 2015. For quantification of the impact of the Volatility Adjustment on the Group's technical provisions and capital position, see QRT S.22.01, included in Appendix 8.

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, and purchases aggregate reinsurance cover. At any balance sheet date the Group will expect to recover under some of 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 and any other relevant information. Many of these assumptions only have minor impacts on the level of technical provisions reported.

In March 2020, the Group obtained approval to use the Volatility Adjustment ("VA") in discounting its Technical Provisions for the applicable entities. Hence the Technical Provisions for these entities are on a VA basis for year-end 2020.

There were no other material changes to assumptions in 2020.

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.

Although different technical information is published by the PRA and EIOPA, discount curves were identical for 2020 year-end leading to no differences in valuation. However, the published currencies by each do differ, which leads to small differences in currencies for which VA is applied, mainly between the Group and our Scandinavian subsidiaries. The assessed difference in VA impact was under £1m and is not deemed to be a material valuation difference.

D.3 Other liabilities

D.3.1. Valuation of other liabilities

The liabilities of the Group are valued in accordance with the Valuation Part of the PRA Rulebook applicable to SII firms, related articles of the Delegated Acts 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 liabilities (other than technical provisions):

- the bases, methods and main assumptions used in valuing those liabilities for SII purposes
- where relevant, details of estimation techniques, risks and uncertainties relating to these valuations
- an explanation of any material differences in SII valuations compared to IFRS

There were no changes made to the recognition and valuation bases used or to estimation approaches during the period.

D.3.1.1 Financial liabilities

Financial liabilities are valued at amortised cost under IFRS and fair value for SII balance sheet valuation purposes.

The methods and assumptions used by the Group in estimating the fair value of financial liabilities are:

- Debts owed to credit institutions, senior 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 senior and subordinated debt), carrying values approximate to fair values
- Other liabilities and accruals: carrying amounts approximate to fair values as they are short term liabilities
- Payables: IFRS carrying amounts approximate to fair values. Premium payables falling due for payment after the balance sheet date are reclassified from payables to technical provisions if within the contract boundary; else removed entirely. See Section D.2 for more details
- Reinsurance payables: 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

Upon subsequent measurement of financial liabilities, any change in own credit risk are not reflected in fair value.

Estimation techniques, risks and uncertainties

The fair value measurement of the Group's loan instruments and subordinated debts is based on pricing obtained from a range of financial intermediaries who base their valuations on recent transactions of these instruments and other observable market inputs such as applicable risk free rate and appropriate credit risk spreads.

D.3.1.2 Contingent liabilities

Material contingent liabilities (those where information about the current or potential size or nature of those liabilities could influence decision-making or judgement) 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 applies to non-insurance risks only, as insurance risks are captured by the best estimate component of technical provisions.

Contingent liabilities acquired in a business combination are valued on a basis consistent with that used for IFRS reporting.

D.3.1.3 Provisions other than technical provisions

Provisions are valued in the same way under both IFRS and SII.

A provision is recognised when there is a present legal or constructive obligation as a result of past events that are more likely than not to result in an outflow of economic resources in order to settle the obligation, and the amount of that outflow can be reliably estimated.

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. Certain healthcare benefits have been discontinued for active employees retiring after 1 November 2021, resulting in a £14m plan curtailment gain recognised in 2019.

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

	UK £m	Other £m	Total £m
Present value of funded obligations	(8,844)	(452)	(9,296)
Present value of unfunded obligations	(6)	(99)	(105)
Present value of obligations	(8,850)	(551)	(9,401)
Equities	545	124	669
Government debt	6,514	336	6,850
Non government debt	3,493	1	3,494
Derivatives	1,061	-	1,061
Property	636	-	636
Cash	191	11	202
Other (including annuity contracts, infrastructure and growth alternatives)	362	28	390
Investments	12,802	500	13,302
Value of asset and longevity swaps	(3,447)	-	(3,447)
Total assets in the schemes	9,355	500	9,855
Other net surplus remeasurements	(179)	-	(179)
Total surplus/(deficit)	326	(51)	275
Defined benefit pension schemes	326	-	326
Other post retirement benefits	-	(51)	(51)
Schemes in surplus	333	46	379
Schemes in deficit	(7)	(97)	(104)

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, as the valuation of lease liabilities under IFRS 16 are assumed to approximate to fair value under SII.

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, in accordance with Article 10(5) of the Delegated Acts 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 and D.3 for description of the valuation techniques used and how they are assessed.

See Note 27 of the Group Annual Report and Accounts for further details of the valuation methods, uncertainties and assumptions (including where applicable the impact of COVID-19) used when valuing such instruments.

D.5 Any other information

Nothing to report.

E. Capital Management

In this section

Section E is subject to external audit, with the exception of any text or figures which are, or derive from the internally modelled Solvency Capital Requirement. 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. In light of the cash offer from Intact and Tryg, Year 1 of the 2021-23 Plan was approved and Years 2 and 3 were noted by the Board in February 2021.

Material changes over the reporting period

During the year the volatility adjustment, as referred to in Regulation 43 of the Solvency 2 Regulations 2015, was applied by the company. Further information relating to this measure is shown in section D.2.4 of this report.

No other significant 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.

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 the Delegated Act, 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.

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 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. Method of Consolidation.

Capital composition

The Group's capital structure by tier as at 31 December 2020 is as per the table below.

		2020 £m	2019 £m
Tier 1 Unrestricted	Equity capital (including Share Premium)	**2,131**	2,122
	Reconciliation reserve	**94**	(119)
		2,225	2,003
Tier 1 Restricted	Preference shares	**125**	125
	Restricted Tier 1 notes	**297**	297
		422	422
Tier 2	2014 debt instrument	**466**	454
		466	454
Tier 3	Net deferred tax assets	**177**	194
	Total Available Own Funds	**3,290**	3,073

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to an increase in excess of assets over liabilities (see section D). 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	**2,371**	**(146)**	**2,225**	**-**	**2,225**		
Tier 1 (R)	**422**	**-**	**422**	**-**	**422**	**556**	**20% of total Tier 1**
Tier 2	**466**	**-**	**466**	**-**	**466**	**872**	**Tier 2 + Tier 3 up to 50% of SCR**
Tier 3	**206**	**(29)**	**177**	**-**	**177**		
Total	**3,465**	**(175)**	**3,290**	**-**	**3,290**		

SCR	**1,744**
Surplus	**1,546**
SCR Coverage	**189%**

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 £146m
- **Deferred tax assets** - except to the extent that they back an entity's share of the Group SCR, the excluded amount being £29m

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 less 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 less 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	Availability restrictions	Available Own Funds	Eligibility restrictions	Eligible Own Funds	Eligibility Capacity	
	£m	£m	£m	£m	£m	£m	Eligibility rule
Tier 1	**2,371**	**(146)**	**2,225**	**-**	**2,225**		
Tier 1 (R)	**422**	**-**	**422**	**-**	**422**	**556**	**20% of total Tier 1**
Tier 2	**466**	**-**	**466**	**(202)**	**264**	**264**	**Tier 2 up to 20% of MSCR**
Tier 3	**206**	**(29)**	**177**	**(177)**	**-**		**Ineligible**
Total	**3,465**	**(175)**	**3,290**	**(379)**	**2,911**		
				MSCR	**1,318**		
				Surplus	**1,593**		
				MSCR Coverage	**221%**		

Refer to E.2.11 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)	**3,334**
Own shares (held directly and indirectly)	**-**
Foreseeable dividends, distributions and charges	**(140)**
Other non-available own funds items	**(195)**
	2,999
Subordinated debt	**466**
SII Basic Own Funds	**3,465**

Foreseeable dividends, distributions and charges

Consistent with the Rule 2.7 of the Takeover Code statement regarding the recommended cash offer for the RSA Insurance Group plc on the 18th November 2020, a final dividend for 2020 is not proposed and so no deduction for foreseeable dividends is made in the 2020 capital position.

Other deductions made in arriving at Group basic own funds total £140m (2019: £190m).

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 £26m.

IAS 19 pension surpluses in excess of their scheme's marginal share of the SCR are also deducted from the reconciliation reserve and included in "Other non-available own funds" in the S.23.01, the excluded amount being £169m.

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 as at 31 December 2015, before Solvency II came into force, 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 instruments subject to transitional arrangements:

	Preference shares
Issuer	**The Group**
Guarantor	**N/A**
Date issued	**13/10/1993**
Maturity	**Irredeemable**
First call	**N/A**
Amount at issue	**£125,000,000**
Current outstanding	**£125,000,000**
Currency	**GBP**
Coupon	**7.375%**
Frequency	**Semi-annual**
Call frequency	**N/A**
Reset date	**N/A**
Reset rate	**N/A**
Solvency II Tier	**Restricted Tier 1**

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 E.1.3 and E.1.4 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.1.10 Deferred tax

For details on the availability and eligibility of deferred tax assets, see sections E.1.3 and E.1.5.

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

E.2.1 SCR and MSCR

At 31 December 2020 the Group's SCR was £1,744m and the MSCR was £1,318m.

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.

During 2020 the RSA holding in BAIC was sold. This did not have a material impact on the MSCR or the coverage of the MSCR.

E.2.8 Movements in the SCR and MSCR

Movements in the SCR

The SCR remained broadly flat over the year. An increase due to falling sovereign yields was offset by a reduction due to the removal of restructuring costs from the modelled requirement.

Movements in the MSCR

Section E.2.11 summarises the MSCR by Group entity. There were no significant movements in the MSCR during the year.

E.2.9 Consolidated Group SCR constituents

The accounting consolidation method (Method 1) has been chosen 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)	**1,744**
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	**1,744**

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 2020 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	Corridor - 25%	Corridor - 45%	MCR (per MSCR)
	£m	£m	£m	£m
Royal & Sun Alliance Insurance plc (United Kingdom)	568	436	785	568
Codan Forsikring A/S (Denmark)	398	157	283	283
Forsikringsselskabet Privatsikring A/S (Denmark)	12	6	12	12
Holmia Livforsakring AB (Sweden)	9	5	9	9
RSA Insurance Ireland DAC (Republic of Ireland)	26	26	47	26
The Marine Insurance Company Limited (United Kingdom)	-	1	2	3
Royal & Sun Alliance Reinsurance Limited (United Kingdom)	1	5	9	5
RSA Luxembourg SA (Grand Duchy of Luxembourg)	13	13	23	13
Insurance Corporation of the Channel Islands Limited	4	n/a	n/a	4
Tower Insurance Company Limited	3	n/a	n/a	3
Canadian insurance entities	323	n/a	n/a	323
Other non-EEA	69	n/a	n/a	69
MSCR				**1,318**

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.2.13 Loss absorbing capacity of deferred tax

The Group does not make an adjustment for the loss-absorbing capacity of deferred taxes.

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 outputs provide the capital information used in the calculations of the Pillar 1 SCR, internal Pillar II capital measures, 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 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 cash flow 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's 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's 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 premium or 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 UK solo entities use the same internal model.

Following the UK's exit from the EU, PRA approval is no longer applicable for the Group's Scandinavian entities. During 2020, local approval was granted by the Danish FSA for Codan Forsikring A/S and the Scandinavian sub-group of entities (with parent company Codan A/S) to use an internal model to calculate their SCR.

The following Group entities used the standard formula to calculate their SCR as at the 2020 year-end: Holmia Livforsakring AB, RSA Luxembourg S.A and RSA Insurance Ireland DAC.

From 1 January 2021, Forsikringsselskabet Privatsikring A/S will also use the standard formula to calculate its SCR.

E.5 Non-compliance with the MSCR 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 2020

Company	Country of Branch
Royal & Sun Alliance Insurance plc	Argentina Belgium China DIFC, Middle East France Germany Greece Ireland Netherlands Norway
RSA Luxembourg S.A.	Belgium France Germany 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
Royal & Sun Alliance Insurance (Middle East) BSC (c)	Abu Dhabi Dubai Sharjah
Codan Forsikring A/S	Norway Sweden United States
The London Assurance	Greece
RSA Insurance Ireland DAC	United Kingdom
EGI Holdings Limited	United Kingdom
Intouch Insurance Group BV	United Kingdom
IDIP Direct Insurance BV	United Kingdom

RSA Overseas Holdings BV	United Kingdom
RSA Overseas (Netherlands) BV	United Kingdom
RSA Overseas Holdings (No.1) Unlimited Company	United Kingdom
RSA Overseas Holdings (No.2) Unlimited Company	United Kingdom

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

Summary

Royal & Sun Alliance Insurance plc ("RSAI" or "RSAI plc") 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 in 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 5 personal lines insurer via direct and affinity lines business. It 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.

The components of the Group's System of Governance are designed to satisfy the legal and regulatory guidelines and requirements applicable to RSAI such as the Companies Act 2006, Solvency II, rules of Prudential Regulation Authority and the Financial Conduct Authority.

Business Strategy

RSAI has adopted the Group business strategy which is to the pursuit of outperformance through:

- Strong customer franchises
- Disciplined business focus, majoring on strengths, seeking to avoid mistakes
- A balance sheet that protects customers and the Company
- Intense and accomplished operational delivery – improving customer service, underwriting and costs

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.

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 PRA is the authority responsible for prudential supervision of RSAI plc. 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 note 46 of the Company's 2020 Annual Report and Accounts for a list of all 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

RSAI'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

Covid-19: our response

The majority of our workforce has been working from home during the Covid-19 pandemic, reflecting guidelines set by local governments. Significant resource has been deployed to ensure our people have received the appropriate support regarding physical and mental well-being during remote working.

RSA quickly put in place digital solutions for customers whose lives and financial situations were impacted by Covid-19. Customers were able to flex their policies free of usual administrative charges, and make a number of changes to make sure their cover remained appropriate for them throughout the pandemic. Additionally, MORE TH>N, our personal insurance brand, gave customers who work for the National Health Service extended insurance cover to say thank you for their efforts in battling coronavirus. NHS workers received priority service, free courtesy cars and extended cover for home emergencies, giving them extra peace of mind and helping them focus on saving lives. In the UK we were proud to be a significant contributor to the insurance and long-term savings industry's Covid-19 Support Fund which launched in May 2020 and has now raised over £100 million.

Post-Brexit transition

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

The creation of RSA Luxembourg has insulated the Company from the main regulatory impacts of Brexit. The transfer of risk underwritten through the European branch network to RSA Luxembourg has ensured a smooth transition for our customers and brokers following the UK's departure from the EU.

As the Company moves into a new era between the UK and the EU, there remains some potential for economic shocks, claims inflation and supply chain disruption but the Company believes it is well placed to respond to and mitigate any impacts.

The Company continues to monitor the new relationship between the UK and the EU closely.

Takeover bid

During 2020, RSA received a cash offer by a consortium of Canadian insurer Intact and Danish provider Tryg ('the offer') which was approved by the shareholders of RSAIG on 18 January 2021. Further steps are required to complete the transaction and the Group, and the Company, continue to operate on an independent basis until the sale is complete.

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 RSAI Board manages the operations on a divisional basis as described in the Annual Report and Accounts of the Group. For this reason, the RSAI Board believes that analysis using key performance indicators for the UK business in aggregate is relevant to RSAI. The Group's assessment of 2020 performance can be found in the preliminary results announcement on the Group's website at https://www.rsagroup.com/news/press-releases/2021/rsa-2020-preliminary-results/

	2020	2019
	£m	£m
Net written premiums	**2,719**	3,019
Net earned premiums	**2,701**	3,064
Net incurred claims	**(1,730)**	(2,110)
Commissions	**(800)**	(815)
Operating expenses	**(169)**	(151)
Underwriting result	**2**	(12)
Investment income	**103**	124
Investment expenses	**(7)**	(7)
Unwind of discount	**(7)**	(6)
Investment result	**89**	111
Operating result	**91**	99
Interest	**4**	(49)
Profit on disposals	**(4)**	(19)
Other non-operating charges	**(77)**	(2,461)
Dividends from subsidiary undertaking	**1**	2,955
Profit before tax	**15**	525
Tax	**(5)**	(1)
Profit after tax	**10**	524

	Net Written Premium		Underwriting Result	
	2020	2019	**2020**	2019
	£m	£m	**£m**	£m
Non-life				
Fire and other damage to property	**1,205**	1,289	**(30)**	12
Motor vehicle liability	**443**	524	**(1)**	(40)
General liability	**375**	410	**(27)**	4
Marine, aviation and transport	**213**	268	**10**	3
Medical expense	**228**	244	**26**	11
Other motor	**196**	207	**34**	3
Total material lines of business	**2,660**	2,942	**12**	(7)
Non-material	**59**	77	**(10)**	(5)
Total	**2,719**	3,019	**2**	(12)

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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Investment property	**17**	18	**3**	-	**(8)**	(10)	**12**	8
Equity securities								
Available for sale	**5**	7	**1**	3	**-**	-	**6**	10
Debt securities								
Available for sale	**74**	90	**(1)**	-	**-**	-	**73**	90
Other investments								
Other loans	**51**	54	**-**	-	**-**	-	**51**	54
Deposits, cash at bank and in hand	**1**	2	**-**	-	**-**	-	**1**	2
Derivatives	**-**	(2)	**(4)**	-	**(8)**	(9)	**(12)**	(11)
Total net investment return	**148**	169	**(1)**	3	**(16)**	(19)	**131**	153
Dividends from subsidiary undertakings	**1**	2,955	**-**	-	**-**	-	**1**	2,955
	149	3,124	**(1)**	3	**(16)**	(19)	**132**	3,108

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

	2020	2019
	£m	£m
Investment property	**(1)**	(1)
Debt securities	**(6)**	(6)
Total investment management expenses	**(7)**	(7)

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	
	2020	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m
Equity securities	**(6)**	(4)	**4**	(3)	**(2)**	(7)
Debt securities	**66**	69	**(1)**	-	**65**	69
Subsidiary and associate undertakings	**660**	(263)	**-**	-	**660**	(263)
Total	**720**	(198)	**3**	(3)	**723**	(201)

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 2020 is summarised in the table below:

		Exposure	
		2020	2019
Class of investments	**Nature of the underlying investments of the vehicle**	**£m**	£m
Collateralised debt obligations	Structured debt security backed by bonds	**242**	262

A.4 Performance of other activities

A.4.1 Other material income & expenses

Employee expenses

Staff costs for all employees comprise:

	2020	2019
	£m	£m
Wages and salaries	**226**	219
Social security costs	**27**	27
Other pension costs	**30**	23
Share based payments	**14**	7
Total staff costs	**297**	276

A.4.2 Operating and finance leasing arrangements

Operating lease commitments where RSAI is the lessee

RSAI leases land and buildings and other tangible assets such as vehicles, IT equipment, servers and mainframes to operate its business. The remaining lease terms for the main office premises range from 1 to 14 years.

RSAI also leases office equipment, such as laptops and printers, for which certain leases are short term (1 year or less) and/or low value items. RSAI has elected to apply recognition exemptions as permitted by IFRS 16 for these leases.

Amounts recognised in profit and loss

	2020	2019
	£m	£m
Interest on lease liabilities	**2**	3
Administrative expenses relating to short-term leases	**-**	2
Administrative expenses relating to leases of low-value assets	**1**	1
Administrative expenses relating to variable lease payments	**4**	-

Operating lease commitments where RSAI is the lessor

RSAI leases out its investment property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

During 2020, RSAI recognised £17m of rental income within its investment income (2019: £18m).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020	**2019**
	£m	**£m**
Less than one year	**15**	17
One to two years	**15**	16
Two to three years	**14**	15
Three to four years	**11**	14
Four to five years	**10**	11
More than five years	**41**	51
Total	**106**	124

Finance leases

RSAI continues to sub-let office floor space for which the head leases have been presented as part of the land and buildings right of use assets. The sub-leases have been classified as finance leases because the sub-lease is for the whole remaining term of the head lease. The net investments in the sub-leases have been reported within other debtors.

During 2020, the Company recognised interest income on lease receivables of £1m (2019: £1m).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020 £m	2019 £m
Less than one year	**2**	**2**
One to two years	**2**	**2**
Two to three years	**2**	**2**
Three to four years	**2**	**2**
Four to five years	**2**	**2**
More than five years	**-**	**2**
Total undiscounted lease receivable	**10**	**12**
Unearned finance income	**(1)**	**(1)**
Net investment in the lease	**9**	**11**

B. System of Governance

B.1 General information on the system of governance

RSAI plc's System of Governance

RSAI plc has adopted the Group System of Governance as described in Section B in the main body of the report.

RSAI plc board and management committee

The members of the RSAI plc board are the same as the Group Board and their meetings are run in a combined session with one agenda, one board pack but two sets of minutes for each meeting. The agenda and papers specify whether an item relates to RSAIG, RSAI plc or both entities. The papers describe any differences between relevant issues from an RSAIG and RSAI plc perspective.

The powers of the RSAI plc board, and the extent to which these powers may be delegated or must be retained, are set out in the Schedule of Matters Reserved.

The RSAI plc board may exercise all the powers of the company subject to the Articles of Association, the Schedule of Matters Reserved, relevant law and any directions as may be given by its shareholder, Royal Insurance Holdings Limited. All key or material decisions made at board meetings are documented by Company Secretariat. The board reviews RSAI plc's financial performance through regular reports, including quarterly capital up-dates and a quarterly presentation on actual performance against plan and a previous financial year comparison. The Schedule of Matters Reserved require approval of the outsourcing of any critical functions and activities at least annually, and board review of their performance.

An effectiveness review process is undertaken annually to ensure that the board is operating effectively.

The RSAI plc board and the RSAI plc Management Committee oversee the business of the company and governance oversight in relation to its subsidiaries. The powers of the Management Committee are set out in its Terms of Reference. The committee is composed of senior managers from both Group Corporate Centre functions and the UK business. It meets as and when required to review matters of a 'business as usual' nature within its remit. The matters that remain reserved for the meetings of the RSAI plc board, include: i) dividends; ii) annual report and accounts; iii) Solvency and Financial Condition Report; iv) operating plan; and v) board appointments and resignations.

The remit of the Group committees includes RSAI plc matters.

Remuneration

RSAI plc 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.

Key governance functions

None of RSAI plc's key governance functions have been outsourced.

Changes during 2020

The changes to RSAI's system of governance over the reporting period are

- A change programme increased the number of leadership roles that have dual responsibilities across both Group Corporate Centre and UK, adding to such roles in Finance. The BRC is required to approve the creation of future leadership roles with both UK and Group responsibilities
- Amendments have been made to the allocation of oversight and reporting on control areas under the internal control framework as between the Group Audit Committee and BRC
- To facilitate rapid customer decisions during the impacts of Covid-19, UK Executive Management relied on a Design Authority Group, which reports into the UK Executive Team
- A short section on governance of the risks and reporting relating to climate change has been added to the Group and RSAI plc Systems of Governance document

Shareholder/Board transactions

Key management transactions

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

	£m
Salaries and bonuses	**6**
Allowances, benefits and other awards	**1**
Total	**7**

During 2020, no retirement benefits accrued under defined benefit schemes for directors. During 2020, contributions of £4,813 were made to Group defined contribution schemes during the year in respect of directors.

During 2020, no directors 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

No interim dividends were declared or paid during the year. The directors do not recommend payment of a final dividend.

B.2 Fit and proper requirements

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 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 Holder 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.

Given that the entities above RSAI in the Group structure are not deemed to materially contribute to the Group's risk profile, 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 2020 RSAI's EPIFP was £28m.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with UK GAAP (Financial Reporting Standard 101), the accounting standard used for RSAI's Annual Report and Accounts. There are no differences in valuation principles between IFRS (used for the Group's valuation) and FRS 101, so all basis of preparation descriptions referring to IFRS in section D 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.

Section D is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate the Company's Solvency Capital Requirement which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

RSAI SII balance sheet

	Financial statements note	Statutory accounts value	Reclass-ification	SII valuation adjustments	Solvency II value	Group SFCR section
		£m	£m	£m	£m	
Goodwill and intangible assets	19	275	-	(275)	-	D.1.1.1, D.1.1.2
Deferred tax assets	28	152	-	-	152	D.1.1.4
Pension benefit surplus	15	331	-	-	331	D.1.1.5
Property, plant and equipment held for own use		85	-	(17)	68	D.1.1.6
Investments (other than assets held for index-linked and unit-linked contracts)		15,251	29	(4,567)	10,713	
Property (other than for own use)	20	281	-	-	281	D.1.1.7
Holdings in related undertakings, including participations	21	11,040	-	(4,567)	6,473	D.1.1.8
Equities	22	409	(407)	-	2	D.1.1.9
Bonds	22	3,424	20	-	3,444	D.1.1.9
Collective investments undertakings		-	407	-	407	D.1.1.9
Derivatives	22	97	-	-	97	D.1.1.9
Deposits other than cash equivalents		-	9	-	9	D.1.1.9
Loans and mortgages		1,185	44	-	1,229	D.1.1.9
Reinsurance recoverables	25, 26	1,910	-	(709)	1,201	D.2
Deposits to cedants		64	-	-	64	D.1.1.9
Insurance and intermediaries receivables		1,516	147	(1,490)	173	D.1.1.9
Reinsurance receivables		187	(147)	(4)	36	
Receivables (trade, not insurance)		318	355	-	673	D.1.1.9
Cash and cash equivalents		140	-	-	140	D.1.1.9
Any other assets, not elsewhere shown		475	(41)	(416)	18	D.1.1.9
Total assets		21,889	387	(7,478)	14,798	
Technical provisions	33, 34	6,561	-	(1,619)	4,942	D.2
Provisions other than technical provisions	35	50	-	-	50	D.3.1.3
Pension benefit obligations	35	7	-	-	7	D.1.1.5
Derivatives	22	118	-	-	118	D.3.1.1
Financial liabilities other than debts owed to credit institutions		4,257	400	-	4,657	D.3.1.1
Insurance & intermediaries payables		45	36	6	87	D.3.1.1
Reinsurance payables		732	(36)	(674)	22	
Payables (trade, not insurance)		987	-	-	987	D.3.1.1
Any other liabilities, not elsewhere shown		223	(13)	-	210	D.3.1.1
Total liabilities		12,980	387	(2,287)	11,080	
Excess of assets over liabilities		8,909	-	(5,191)	3,718	

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

	Asset £m	Liability £m
Deferred tax assets/(liabilities)	**152**	

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

	£m
Net unrealised loss on investments	**(41)**
Tax losses and unused tax credits	**59**
Accrued costs deductible when settled	**73**
Retirement benefit obligations	**1**
Capital allowances	**58**
Provisions and other temporary differences	**2**
Net deferred tax position at 31 December	**152**

Net deferred tax assets of £152m, that relate to tax jurisdictions in which the Company has suffered a loss in either the current or preceding period, have been recognised to the extent that it is probable future taxable profits will be available against which unused losses and temporary differences can be utilised.

At the end of the reporting period, the Company has unused trading losses of £1,381m. A deferred tax asset of £59m has been recognised in respect of these losses at 31 December 2020. No deferred tax asset has been recognised in respect of trading losses of £1,068m. In addition, the Company has other deductible temporary differences of £151m for which no deferred tax has been recognised.

No deferred tax has been recognised in respect of £597m 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.

Deferred tax assets and liabilities are recognised based on tax rates that have been substantively enacted at the balance sheet date. A change to the UK corporation tax rate was substantively enacted during the year to maintain the 19% rate, rather than implement the previously enacted reduction to 17% from 1 April 2020. This change in rate has increased the value of the Company's gross deferred tax assets as at 1 January 2020 by £65m, which has largely been offset by deferred tax assets not recognised.

The Chancellor of the Exchequer announced in the March 2021 Budget that the rate of UK corporation tax will increase from 19% to 25% from April 2023. Given this is not substantively enacted at the balance sheet date, it is not reflected in the value of the deferred tax assets and liabilities recognised at 31 December 2020.

The procedure for providing SII deferred tax figures for the Company utilises a walkthrough bridge from the figures reported on an FRS 101 basis in the Company'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.

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. 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 continues to be supportable. The basis of deferred tax asset recognition, together with the impact of downward movements in key assumptions and specific downside scenarios on the value of the UK deferred tax asset (which is predominantly RSAI), is detailed in RSAIG section D1.2.

D.2 Technical provisions

		SII Net Technical Provisions Best Estimate £m	Risk Margin £m	Statutory Accounts Value £m	Difference £m
Direct Business and Accepted Proportional Reinsurance	Medical Expense	**38**	**2**	**137**	**(97)**
	Income Protection	**-**	**-**	**1**	**(1)**
	Motor Vehicle Liability	**1,045**	**81**	**1,452**	**(326)**
	Other Motor	**(8)**	**2**	**(26)**	**20**
	Marine, Aviation and Transport	**261**	**11**	**319**	**(47)**
	Fire and Other Damage to Property	**927**	**35**	**1,411**	**(449)**
	General Liability	**941**	**69**	**1,072**	**(62)**
Other Non-Life Direct and Accepted Reinsurance Lines		**112**	**6**	**138**	**(20)**
Life & Health Insurance Lines (including Annuities Stemming from Non-Life)		**150**	**69**	**146**	**73**
TOTAL		**3,466**	**275**	**4,650**	**(909)**

Notes

(1) Allowance for future premium within SII Technical Provisions is a significant difference impacting multiple lines of business. These include Medical Expenses, Motor Vehicle Liability, Marine Aviation & Transport and Fire & Other Damage to Property insurance.

(2) Expected profit or loss within the UPR is deferred under IFRS until it is earned. However, on a SII basis, this expected profit or loss is recognised up front when the contract is bound.

(3) Risk Margin held under SII is higher than the margin in the Outstanding Claims Provisions under IFRS. This is because Risk Margin is defined differently to margin under IFRS which is a more simple buffer for risks around the AI. The Risk Margin, on the other hand, covers cost of holding capital until runoff.

(4) Life & Health insurance lines comprise of non-life annuities where the difference is almost entirely driven by the difference in IFRS and SII risk margins.

Uncertainties and contingencies

The emergence of Covid-19 during 2020 gives rise to a material new uncertainty with regard to estimating technical provisions. Covid-19 has increased the level of estimation uncertainty with key assumptions impacted, such as frequency, severity and claims development patterns. There is also increased uncertainty relating to the valuation of Covid-19 business interruption (BI) claims. The initial assessed impact of recent court judgements has been included in the best estimate at the end of the reporting period. The ultimate liability could be materially different from the current estimate as legal interpretations and regulatory expectations develop and clarify the criteria for eligible claims, further information becomes available with regard to the number of eligible claimants who meet the required claim criteria, and the extent to which losses are recoverable under reinsurance contracts which depends upon the extent to which reinsurance responds in the manner the company expects. If the outcome of litigation differs to our expectation this could give rise to a change in the assessed cost.

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 2020 are as follows:

	Total £m
Present value of funded obligations	**(8,832)**
Present value of unfunded obligations	**(7)**
Present value of obligations	**(8,839)**
Equities	**542**
Government debt	**6,514**
Non government debt	**3,492**
Derivatives	**1,061**
Securities with quoted market price in an active market	**11,609**
Property	**635**
Cash	**190**
Other (including infrastructure, commodities, hedge funds, loans)	**355**
Other investments	**1,180**
Value of asset and longevity swaps	**(3,447)**
Total assets in the schemes	**9,342**
Other net surplus remeasurements	**(179)**
Total surplus	**324**
Defined benefit pension schemes	**324**
Schemes in surplus	**331**
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.

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

Section E is subject to external audit, with the exception of any text or figures which are, or derive from the internally modelled Solvency Capital Requirement. See Appendix 6 for further details of the scope of the external audit.

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

Given that the entities above RSAI in the Group structure are not deemed to materially contribute to the Group's risk profile, the risk profile of RSAI is considered to be identical to that of the Group 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 2020 is as per the table below. See section E.1.2 in the Group SFCR for details of RSAI's loan capital characteristics. Tier 2 capital reflects the guarantee in respect of the 2014 Tier 2 debt instrument issued by the Group.

		2020 £m	2019 £m
Tier 1 Unrestricted	Equity capital (including Share Premium)	**3,703**	3,716
	Reconciliation reserve	**(772)**	(1,077)
		2,931	2,639
Tier 2	Subordinated liabilities	**-**	-
	Share Premium	**466**	454
		466	454
Tier 3	Net deferred tax assets	**152**	153
	Total Available Own Funds	**3,549**	3,246

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.

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to an increase in excess of assets over liabilities (see section D). No other significant changes in own funds were noted over the year.

	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	**2,931**	**-**	**2,931**	**-**	**2,931**		
Tier 1 (R)	**-**	**-**	**-**	**-**	**-**	**733**	**20% of total Tier 1**
Tier 2	**466**	**-**	**466**	**-**	**466**	**872**	**Tier 2 + Tier 3 up to 50% of SCR**
Tier 3	**152**	**-**	**152**	**-**	**152**		
Total	**3,549**	**-**	**3,549**	**-**	**3,549**		

SCR	**1,744**
Surplus	**1,805**
SCR Coverage	**204%**

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	**2,931**	**-**	**2,931**	**-**	**2,931**		
Tier 1 (R)	**-**	**-**	**-**	**-**	**-**	**733**	**20% of total Tier 1**
Tier 2	**466**	**-**	**466**	**(353)**	**113**	**114**	**Tier 2 up to 20% of MCR**
Tier 3	**152**	**-**	**152**	**(152)**	**-**		**Ineligible**
Total	**3,549**	**-**	**3,549**	**(505)**	**3,044**		

MCR	**568**
Surplus	**2,476**
MCR Coverage	**536%**

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)	**3,718**
Foreseeable dividends, distributions and charges	**(169)**
SII Basic Own Funds	**3,549**

IAS 19 pension surpluses in excess of their scheme's marginal share of the SCR are also deducted from the reconciliation reserve and included in "Foreseeable dividends, distributions and charges" in the S.23.01, the excluded amount being £169m.

SCR and MCR

At 31 December 2020 RSAI's SCR was £1,744m and the MCR £568m.

Movements in the SCR

See section E.2.8 in the Group SFCR.

Movements in the MCR

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

Deferred tax

Availability and eligibility of deferred taxes is covered in the Basic own funds to eligible own funds and Eligible own funds to cover the MCR sections above.

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") and its overseas branches is to provide a settlement function for the insurance activities carried out by the Group 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. The Global Network 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 Network Partners) via licences to operate in the relevant territory. As of December 2020, the Global Network covered 180 territories worldwide through 33 producing offices. All producing offices pay a fee to use the network (including external Strategic Network Partners). Membership of the Global Network enables the producing offices 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 undertake relationship management and business development, with the Central Accounting Unit ("CAU"), a dedicated team based in Liverpool undertaking reconciliation of 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 plc, 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 underwriting risk.

Intra-group Reinsurance

The intra-group reinsurance principally comprises the Internal Reinsurance Vehicle ("IRV"), a mechanism whereby insurance risk is ceded from RSAI plc, its branches and subsidiaries to RSA Re in order to allow local and group risk appetite to be met. Market pricing is established by either using external reinsurance for a minimum 10% of the ceded risk (i.e. this does not go into the IRV) or using external reinsurers to provide a firm quote without then ceding them any risks. RSA Re has a 100% retrocession agreement moving all of the ceded premium from the Company to RSAI plc. (RSA Re keeps a 2% fronting fee.) This activity is conducted by Group Reinsurance and all cessions into the IRV overseen by the Group Re quarterly business review meetings.

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

Business strategy

RSA Re has adopted the Group business strategy which is to the pursuit of outperformance through:

- Strong customer franchises
- Disciplined business focus, majoring on strengths, seeking to avoid mistakes
- A balance sheet that protects customers and the Company
- Intense and accomplished operational delivery – improving customer service, underwriting and costs

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.

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 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 of 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
Non prop RI accepted – Property
Non prop RI accepted - Casualty

A.1.9 Significant events

Post-Brexit transition

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

As the Company moves into a new era between the UK and the EU, there remains some potential for economic shocks, claims inflation and supply chain disruption but the Company believes it is well placed to respond to and mitigate any impacts.

The Company continues to monitor the new relationship between the UK and the EU closely.

Flagg Cover

The Group Casualty treaty includes aggregate protection for Casualty claims written by RSA Re. The external IBNR relating to these claims was previously booked within RSAI Plc, who is the ultimate retrocedant for RSA Re, however following a review during 2020 it was decided to move this IBNR to RSA Re. This had led to an increase in gross and reinsurance IBNR within RSA Re.

Takeover bid

During 2020, RSA received a cash offer by a consortium of Canadian insurer Intact and Danish provider Tryg ('the offer') which was approved by the shareholders of RSAIG on 18 January 2021. Further steps are required to complete the transaction and the Group, and the Company, continue to operate on an independent basis until the sale is complete.

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 underwriting risk. Management of the treaties has been outsourced to RSAI. RSA Re's underwriting profit for the year was £880k (2019: £833k).

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.

	2020 £'000	2019 £'000
Income from cash at bank and in hand	**18**	62
Investment income from debt and fixed income securities	**1,148**	1,162
Investment Management Expenses (debt securities)	**(3)**	(18)
	1,163	1,206

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:

	2020 £'000	2019 £'000
Debt securities and other fixed income securities	1,495	(22)

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 (2019: none). All administrative duties are performed by employees of RSAI at no cost to RSA Re (2019: 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

RSA Re's System of Governance

RSA Re has adopted the Group System of Governance as more fully described in Section B in the main body of the report..

Board and committees

During 2020 the RSA Re board was comprised of:

Chairman	Group Underwriting Director
Chief Executive Officer	Managing Director, UK&I Commercial
Director	Group Chief Risk Officer
Director	Head of Global Finance Centre and Chief Financial Officer, UK&I

(RSA Re's Chief Finance SMF2 holder is a non board member and is the Group Chief Financial Officer.)

The board is accountable to its shareholder, RSAI plc, for the creation and delivery of strong sustainable performance and the creation of long term shareholder value. The 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 board approves the corporate budget ("Operational Plan").

The board oversees the business of RSA Re. It may exercise all the powers of the company subject to the Articles of Association, the board's Terms of Reference, relevant laws, and any directions as may be given by its shareholder, RSAI plc, in general meetings by shareholder resolution. The directors of RSA Re have access to the services and advice of the Group General Counsel and Company Secretary, 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 board's Terms of Reference set out matters which are reserved for RSA Re's board and those matters which are above the delegated authority which must be referred to the ultimate shareholder for approval. It also delegates oversight of investments to the Group Investments Director and the Investment Committee of the Group Board. The RSA Re board remains responsible for the company's System of Governance.

At the current time, there are no board level committees and RSA Re's only committee is the Management Committee. Membership of the Management Committee comprises senior Group finance professionals. It is authorised by the RSA Re board to approve certain intra-group corporate transactions and meets on an ad hoc basis.

There is a standing agenda of items for board meetings, the contents of which are continually refreshed. All decisions are documented by Group Secretariat. The board reviews RSA Re's financial performance through regular reports, including quarterly capital up-dates and a quarterly presentation on actual performance against plan and a previous financial year comparison. The 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 board's review of their performance. The RSA Re board reviews renewals of the internal reinsurance treaties at least annually.

RSA Re board meetings are held in a combined session with the meeting of the MIC board.

Effectiveness of the RSA Re Board

The board has implemented an effectiveness review process which is undertaken intermittently to ensure that the board is operating effectively.

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.

Key governance functions

All of the key governance functions have been outsourced to RSAI plc. The RSA Re Board's Terms of Reference require it to ensure each key governance function is suitable, effective and proportionate to the nature, scale and complexity of RSA Re's business.

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.

Changes during 2020

The changes to the RSA Re system of governance over the reporting period year are:

- changes in the membership and responsibilities of the RSA Re board members

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 plc, the service provider, will apply 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 Actuarial Function Holder for RSA Re. On an annual basis, the RSA Re 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 plc. RSAI plc 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 main body of the report 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 2020 RSA Re's EPIFP was nil. RSA Re is not exposed to pension risk.

Currency risk

The principal risk to RSA Re is currency risk as a result of the business carried out by the Group's offices and Global Network partners being denominated in overseas currency. This means that a large proportion of the company's assets are held in foreign currency. If the value of Sterling strengthens, then the value of non-Sterling net assets will decline when translated into Sterling.

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 third party reinsurer insolvency.

Debtor credit risk is managed through tight credit control by the CAU.

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 UK GAAP (Financial Reporting Standard 101), the accounting standards used for RSA Re's Annual Report and Accounts. There are no differences in valuation principles between IFRS (used for the Group's valuation) and UK GAAP, 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.

Section D is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate the Company's Solvency Capital Requirement which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

RSA Re SII balance sheet

The assets as per the SII balance sheet at the valuation date are as follows:

	Financial statements note	Financial statements value	Reclass-ification	SII valuation adjustments	Solvency II value	Group SFCR section
		£'000	£'000	£'000	£'000	
Investments (other than assets held for index-linked and unit-linked contracts)	13	58,146	305	-	58,451	
Bonds	13	58,146	305	-	58,451	D.1.1.9
Reinsurance recoverables	14, 15	474,347	-	(48,558)	425,789	D.2
Insurance and intermediaries receivables		-	28,948	(15,319)	13,629	D.1.1.9
Reinsurance receivables		29,666	(6,261)	(2,844)	20,561	
Receivables (trade, not insurance)		29,706	(29,706)	-	-	D.1.1.9
Cash and cash equivalents		12	-	-	12	D.1.1.9
Any other assets, not elsewhere shown		7,926	(7,926)	-	-	D.1.1.9
Total assets		599,803	(14,640)	(66,721)	518,442	
Technical provisions		474,347	-	(56,841)	417,506	D.2
Deferred tax liabilities		317	-	-	317	
Insurance & intermediaries payables		-	8,581	(3,025)	5,556	D.3.1.1
Reinsurance payables		6,152	16,684	(2,369)	20,467	D.3.1.1
Payables (trade, not insurance)		34,894	(32,285)	-	2,609	D.3.1.1
Any other liabilities, not elsewhere shown		7,931	(7,620)	-	311	D.3.1.1
Total liabilities		523,641	(14,640)	(62,235)	446,766	
Excess of assets over liabilities		76,162	-	(4,486)	71,676	

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

Deferred Tax	Asset £'000	Liability £'000
Deferred tax assets/(liabilities)		**(317)**

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

	£'000
Net unrealised loss on investments	**(319)**
Capital allowances	**2**
Net deferred tax position at 31 December	**(317)**

No deferred tax has been recognised in respect of £4,486,000 of Solvency II adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

In addition, the Company has deductible temporary differences of £1,000 for which no deferred tax has been recognised.

The procedure for providing Solvency II deferred tax figures for the Company utilises a walkthrough bridge from the figures reported on an FRS 101 basis in the Company's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II 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 Solvency II guidance.

D.2 Technical provisions

The gross provisions of RSA Re are fully reinsured, so at a net level the exposure to the company is close to £nil. For this reason the statutory account values are small and the differences seen between the net SII technical provisions and the IFRS reserves are due to the allowance for reinsurance default and future premium cash inflows within the technical provisions and the associated risk margin.

		SII Net technical provisions		Statutory accounts	
		Best estimate £'000	Risk margin £'000	value £'000	Difference £'000
Direct business and accepted proportional reinsurance	Motor vehicle liability	**5**	**1**	**-**	**6**
	Other motor	**-**	**-**	**-**	**-**
	Marine, aviation and transport	**(1,257)**	**36**	**-**	**(1,221)**
	Fire and other damage to property	**(8,479)**	**110**	**-**	**(8,369)**
	General liability	**(299)**	**165**	**-**	**(134)**
Accepted non-proportional reinsurance	Non-proportional property RI	**859**	**147**	**-**	**1,006**
	Non-proportional casualty RI	**352**	**70**	**-**	**422**
	Non-proportional marine, aviation and transport RI	**6**	**1**	**-**	**7**
Total		**(8,813)**	**530**	**-**	**(8,283)**

Uncertainties and contingencies

The emergence of Covid-19 during 2020 gives rise to a material new uncertainty with regard to estimating technical provisions. Covid-19 has increased the level of estimation uncertainty with key assumptions impacted, such as frequency, severity and claims development patterns. There is also increased uncertainty relating to the valuation of Covid-19 business interruption (BI) claims. The initial assessed impact of recent court judgements has been included in the best estimate at the end of the reporting period. The ultimate liability could be materially different from the current estimate as legal interpretations and regulatory expectations develop and clarify the criteria for eligible claims, further information becomes available with regard to the number of eligible claimants who meet the required claim criteria, and the extent to which losses are recoverable under reinsurance contracts which depends upon the extent to which reinsurance responds in the manner the company expects. If the outcome of litigation differs to our expectation this could give rise to a change in the assessed cost.

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.

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

Section E is subject to external audit, with the exception of any text or figures which are, or derive from the internally modelled Solvency Capital Requirement. See Appendix 6 for further details of the scope of the external audit.

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

Capital composition

The capital structure of RSA Re by tier as at 31 December 2020 is as per the table below. RSA Re does not include any subordinated liabilities in its basic own funds. The increase in own funds over the year was mainly down to an increase in investments and a small decrease in net Solvency II technical provisions.

		2020 £'000	2019 £'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	**70,000**	70,000
	Reconciliation reserve	**1,676**	(1,444)
		71,676	68,556
Tier 1 Restricted		**-**	-
Tier 2		**-**	-
Tier 3		**-**	28
	Total Available Own Funds	**71,676**	68,584

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.

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to an increase in excess of assets over liabilities (see section D). No other significant changes in own funds were noted over the year.

	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	**71,676**	-	**71,676**	-	**71,676**		
Tier 1 (R)	-	-	-	-	-	**17,919**	**20% of total Tier 1**
Tier 2	-	-	-	-	-	**9,735**	**Tier 2 + Tier 3 up to 50% of SCR**
Tier 3	-	-	-	-	-		
Total	**71,676**	-	**71,676**	-	**71,676**		

SCR	**19,469**
Surplus	**52,207**
SCR Coverage	**368%**

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	**71,676**	-	**71,676**	-	**71,676**		
Tier 1 (R)	-	-	-	-	-	**17,919**	**20% of total Tier 1**
Tier 2	-	-	-	-	-	**973**	**Tier 2 up to 20% of MCR**
Tier 3	-	-	-	-	-		**Ineligible**
Total	**71,676**	-	**71,676**	-	**71,676**		

MCR	**4,867**
Surplus	**66,809**
MCR Coverage	**1473%**

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)	**71,676**
SII Basic Own Funds	**71,676**

SCR and MCR

At 31 December 2020 RSA Re's SCR was £19,469k and the MCR £4,867k.

Movements in the SCR

The increase in the SCR over the year is driven by the methodology changes in the calculation of operational risk to align to the approach of other entity risk calibrations around the Group.

Movements in the MCR

The MCR increased over the period as the lower bound of the MCR corridor increased.

Deferred tax

No deferred tax assets are included in either available or eligible own funds.

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 Company is the writing of marine, transport, construction, renewable energy and wholesale international property insurance business in the United States.

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

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 United States ("US") Surplus Lines risks. The Company is registered with the US National Association of Insurance Commissioners ("NAIC") as an eligible surplus lines alien insurer. The registration is renewed annually following authorisation by the MIC Board. The actual underwriting is undertaken 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, however, there are exceptions considered on a case by case basis where business of this type is written by MIC.

With effect from 1st 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. Following the transfer of nearly all of MIC's insurance risk to Mercantile Indemnity Company Ltd on 1st July 2019, the excess of loss reinsurance was commuted on 1st September 2019 and the quota share extended to cover any residual insurance liabilities retained by MIC for business written pre-2012. Therefore 100% of MIC's insurance liabilities are reinsured to RSAI under the quota share from 1st September 2019. 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 plc under a Master Services Agreement and an Internal Model Services Agreement.

Business strategy

MIC has adopted the Group business strategy which is the pursuit of outperformance through:

- Strong customer franchises
- Disciplined business focus, majoring on strengths, seeking to avoid mistakes
- A balance sheet that protects customers and the Company
- Intense and accomplished operational delivery – improving customer service, underwriting and costs

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.

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 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

Post-Brexit transition

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

As the Company moves into a new era between the UK and the EU, there remains some potential for economic shocks, claims inflation and supply chain disruption but the Company believes it is well placed to respond to and mitigate any impacts.

The Company continues to monitor the new relationship between the UK and the EU closely.

Takeover bid

During 2020, RSA received a cash offer by a consortium of Canadian insurer Intact and Danish provider Tryg ('the offer') which was approved by the shareholders of RSAIG on 18 January 2021. Further steps are required to complete the transaction and the Group, and the Company, continue to operate on an independent basis until the sale is complete.

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A.2 Underwriting performance

MIC is the Group vehicle for the writing of US Surplus Lines risks. With effect from 1st January 2012, MIC entered into an excess of loss agreement and a quota share arrangement with RSAI plc under which the insurance risk of MIC's business is transferred to RSAI plc. 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. Following the transfer of nearly all of MIC's insurance risk to Mercantile Indemnity Company Ltd on 1st July 2019, the excess of loss reinsurance was commuted on 1st September 2019 and the quota share extended to cover any residual insurance liabilities retained by MIC for business written pre-2012. Therefore 100% of MIC's insurance liabilities are reinsured to RSAI plc under the quota share from 1st September 2019. 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.

	Net Written Premium		Underwriting Result	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Non-life				
Marine, aviation and transport	**-**	-	**3,082**	1,647
Fire and other damage to property	**-**	-	**1,712**	(140)
General liability	**-**	-	**(1)**	6
Total	**-**	-	**4,793**	1,513

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.

	2020	2019
	£'000	£'000
Income from available for sale investments	**334**	984
Investment management expenses (debt securities)	**-**	(2)
	334	982

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:

	2020	2019
	£'000	£'000
Debt securities and other fixed income securities	35	217

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 (2019: none). All administrative duties are performed by employees of RSAI at a cost to MIC of £1,677,000 (2019: £2,647,000).

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

MIC's System of Governance

MIC has adopted the Group System of Governance as more fully described in Section B in the main body of the report.

Board and committees

During 2020 the MIC board was comprised of:

Chairman	Group Underwriting Director
Chief Executive Officer	Managing Director, UK&I Commercial
Director	Group Chief Risk Officer
Director	Head of Global Finance Centre and Chief Financial Officer, UK&I

(MIC's Chief Finance SMF2 holder is a non board member and is the Group Chief Financial Officer.)

The board is accountable to its shareholder, RSAI plc, for the creation and delivery of strong sustainable performance and the creation of long term shareholder value. The board meets frequently and is responsible for organising and directing the affairs of MIC 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 board approves the corporate budget ("Operational Plan") and a business plan is submitted to the NAIC.

The board oversees the business of MIC. It may exercise all the powers of the company subject to the Articles of Association, the board's Terms of Reference, relevant laws, and any directions as may be given by its shareholder, RSAI plc, in general meetings by shareholder resolution. The directors of MIC have access to the services and advice of the Group General Counsel and Company Secretary, 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 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 ultimate shareholder for approval. It also delegates oversight of investments to the Group Investments Director and the Investment Committee of the Group Board. The MIC board remains responsible for the company's System of Governance.

At the current time, there are no board level committees and MIC's only committee is the Management Committee. Membership of the Management Committee comprises senior Group finance professionals. It is authorised by the MIC board to approve certain intra-group corporate transactions and meets on an ad hoc basis.

There is a standing agenda of items for board meetings, the contents of which are continually refreshed. All decisions are documented by Group Secretariat. The board reviews MIC's financial performance through regular reports, including quarterly capital up-dates and a quarterly presentation on actual performance against plan and a previous financial year comparison. The 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 board's review of their performance.

MIC board meetings are held in a combined session with the meeting of the RSA Re board.

Effectiveness of the MIC Board

The board has implemented an effectiveness review process which is undertaken intermittently to ensure that the board is operating effectively.

Key governance functions

All of the key governance functions have been outsourced to RSAI plc. The MIC Board's Terms of Reference require it to ensure each key governance function is suitable, effective and proportionate to the nature, scale and complexity of MIC's business.

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.

Changes during 2020

The changes to the MIC system of governance over the reporting period are:

- changes in the membership and responsibilities of the MIC board members

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 plc, the service provider, will apply 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 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.

The Group Actuarial Function Holder is also the Actuarial Function Holder for MIC. On an annual basis, the MIC Actuarial Function Holder 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 plc. RSAI plc 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 main body of the report, which sets out the Group's risk profile. At 31 December 2020 MIC's EPIFP was nil. MIC is not exposed to pension risk.

Currency Risk

The principal risk to MIC is currency risk as a result of writing direct marine, aviation, transport and renewable energy insurance business in the US which is denominated in foreign currency. This means that a large proportion of the company's assets are held in foreign currency. If the value of Sterling strengthens, then the value of non-Sterling net assets will decline when translated into Sterling.

Credit risk

MIC has 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 reinsurance arrangement with RSAI 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 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.

Section D is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate the Company's Solvency Capital Requirement which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

MIC SII balance sheet

	Financial statements note	Statutory accounts value	Reclass-ification	SII valuation adjustments	Solvency II value	Group SFCR section
		£'000	£'000	£'000	£'000	
Investments (other than assets held for index-linked and unit-linked contracts)	12	13,515	28	-	13,543	
Bonds	12	13,515	28	-	13,543	D.1.1.9
Loans and mortgages		-	17,646	-	17,646	D.1.1.9
Reinsurance recoverables	13, 14	74,179	-	(10,115)	64,064	D.2
Insurance and intermediaries receivables		9,256	-	(6,620)	2,636	D.1.1.9
Reinsurance receivables		-	-	15,958	15,958	
Receivables (trade, not insurance)		38,256	(14,756)	-	23,500	D.1.1.9
Cash and cash equivalents		378	-	-	378	D.1.1.9
Any other assets, not elsewhere shown		3,610	(3,610)	-	-	D.1.1.9
Total assets		139,194	(692)	(777)	137,725	
Technical provisions		74,179	-	(10,852)	63,327	D.2
Deferred tax liabilities	15	25	-	-	25	
Insurance & intermediaries payables		490	-	(324)	166	D.3.1.1
Reinsurance payables		864	2,890	11,184	14,938	D.3.1.1
Any other liabilities, not elsewhere shown		4,487	(3,582)	-	905	D.3.1.1
Total liabilities		80,045	(692)	8	79,361	
Excess of assets over liabilities		59,149	-	(785)	58,364	

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

Deferred Tax	Asset £'000	Liability £'000
Deferred tax assets/(liabilities)	-	**(25)**

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

	£'000
Net unrealised loss on investments	**(25)**
Net deferred tax position at 31 December	**(25)**

No deferred tax has been recognised in respect of £785,000 of Solvency II 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 the Company utilises a walkthrough bridge from the figures reported on an FRS 101 basis in the Company'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

The gross provisions of MIC are fully reinsured, so at a net level the exposure to the company is close to £nil. For this reason the statutory account values are small and the differences seen between the net SII technical provisions and the IFRS reserves are due to the allowance for reinsurance default and future premium cash inflows within the technical provisions and the associated risk margin.

		SII Net technical provisions Best estimate £'000	Risk margin £'000	Statutory accounts value £'000	Difference £'000
Direct business and accepted proportional reinsurance	Marine, aviation and transport	**(580)**	**45**	-	**(535)**
	Fire and other damage to property	**(257)**	**48**	-	**(209)**
	General liability	**6**	**1**	-	**7**
TOTAL		**(831)**	**94**	-	**(737)**

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.

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

Section E is subject to external audit, with the exception of any text or figures which are, or derive from the internally modelled Solvency Capital Requirement. See Appendix 6 for further details of the scope of the external audit.

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 2020 is as per the table below. MIC does not include any subordinated liabilities in its Basic Own funds. The increase in own funds over the year was mainly down to an improved underwriting result.

		2020 £'000	2019 £'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	**22,333**	22,334
	Reconciliation reserve	**36,031**	31,854
		58,364	54,188
Tier 1 Restricted		**-**	-
Tier 2		**-**	-
Tier 3		**-**	-
	Total Available Own Funds	**58,364**	54,188

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.

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to an increase in excess of assets over liabilities (see section D). No other significant changes in own funds were noted over the year.

	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	**58,364**	**-**	**58,364**	**-**	**58,364**		
Tier 1 (R)	**-**	**-**	**-**	**-**	**-**	**14,591**	**20% of total Tier 1**
Tier 2	**-**	**-**	**-**	**-**	**-**	**1,846**	**Tier 2 + Tier 3 up to 50% of SCR**
Tier 3	**-**	**-**	**-**	**-**	**-**		
Total	**58,364**	**-**	**58,364**	**-**	**58,364**		

SCR	**3,692**
Surplus	**54,672**
SCR Coverage	**1581%**

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	Availability restrictions	Available Own Funds	Eligibility restrictions	Eligible Own Funds	Eligibility Capacity	
	£'000	£'000	£'000	£'000	£'000	£'000	Eligibility rule
Tier 1	**58,364**	-	**58,364**	-	**58,364**		
Tier 1 (R)	-	-	-	-	-	**14,591**	**20% of total Tier 1**
Tier 2	-	-	-	-	-	**666**	**Tier 2 up to 20% of MCR**
Tier 3	-	-	-	-	-		**Ineligible**
Total	**58,364**	-	**58,364**	-	**58,364**		

MCR	**3,332**
Surplus	**55,032**
MCR Coverage	**1752%**

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)	**58,364**
SII Basic Own Funds	**58,364**

SCR and MCR

At 31 December 2020 MIC's SCR was £3,692k and the MCR £3,332k, the absolute floor as defined in Rule 3.2 of the Minimum Capital Requirement Part of the PRA Rulebook applicable to SII firms.

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.

Deferred tax

No deferred tax assets are included in either available or eligible own funds.

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.

Further, MIC is subject to NAIC requirements in order to write surplus lines business in the USA. Requirements include maintaining a minimum of $45m of shareholders equity on a continuous basis.

MIC remained compliant with this requirement throughout the reporting period.

Appendix 5. Directors' Statements in respect of the SFCR

RSA Insurance Group plc and Royal & Sun Alliance Insurance plc

The directors are responsible for ensuring that the Group SFCR and relevant content for Royal & Sun Alliance Insurance plc have 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 2020, the Group and Royal & Sun Alliance Insurance plc have 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 2020 to the date of publication of the SFCR, the Group and Royal & Sun Alliance Insurance plc have continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2021.

By order of the Board,

Charlotte Jones

Charlotte Jones
Group Chief Financial Officer

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 2020, Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited 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 2020, to the date of publication of the SFCR, Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited have continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2021.

By order of the Board,

William McDonnell

William McDonnell
Director

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 (together, 'the entities') as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the entities as at 31 December 2020, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S02.01.02, S22.01.22, S23.01.22, S32.01.22 for the Group, and Company templates S.02.01.02, S.12.01.02, S.17.01.02, S22.01.21, 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 about 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 S05.01.02, S05.02.01, S.25.03.22 for the Group;

- Company templates S.05.01.02, S.05.02.01, S.19.01.21, S.25.03.21 for RSAI, RSA Re and MIC;

- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Group 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 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 Group 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 Group Solvency and Financial Condition Report of the entities as at 31 December 2020 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.

Going concern

The Directors have prepared the Group Solvency and Financial Condition Report on the going concern basis as they do not intend to liquidate the entities or to cease their operations, and as they have concluded that the entities' financial positions mean that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Group Solvency and Financial Condition Report ("the going concern period").

We used our knowledge of the entities, their industry, and the general economic environment to identify the inherent risks to their business model and analysed how those risks might affect the entities' financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the entities' available financial resources over this period were:

- adverse technical provisions development, potentially caused by impacts of the Covid-19 pandemic;

- a deterioration in claims experience, potentially caused by market wide catastrophe event(s) including impacts of the Covid-19 pandemic;
- a deterioration in the valuation of investments arising from a significant change in the economic environment; and
- a decrease in the Group's net pension surplus.

We also considered less predictable but realistic second order impacts, such as the impact of non-completion of the proposed takeover bid received by the Group.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Consideration of specific scenarios that could reasonably arise in relation to the Covid-19 pandemic or implications of the proposed takeover transaction, and assessing the assumptions applied by management in relation to these scenarios.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the entities will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and management and inspection of policy documentation as to the entities' high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using professionals with forensic knowledge to assist us in identifying fraud risks and designing appropriate procedures based on discussions of the circumstances of the entities.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, we perform procedures to address the risk of management override of controls.

We identified a fraud risk related to the valuation of technical provisions in response to the level of estimation and judgement in this balance and the ability for changes in the valuation to be used to impact the solvency ratio. We also identified fraud risks in respect of the historic debtor reconciliation issues identified in Sweden.

We performed procedures including:

- Identifying journal entries to test for all full scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

As the entities are regulated, our assessment of risks involved gaining an understanding of the control environment including the entities' procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to full scope component audit teams of relevant laws and regulations identified at Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

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

Firstly, the entities are subject to laws and regulations that directly affect the Solvency and Financial Condition Report including regulatory capital and liquidity legislation, financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Solvency and Financial Condition Report items.

Secondly, the entities are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Solvency and

Financial Condition Report, for instance through the imposition of fines or litigation or the loss of the entities' licence to operate. We identified the following areas as those most likely to have such an effect: conduct regulation and certain aspects of company legislation recognising the financial and regulated nature of the entities' activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 this 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 fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

Other Matter

The entities have authority to calculate the Group and Solo Solvency Capital Requirement 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 Company's application or approval order.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook for Solvency II firms, 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 entities' 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 entities, 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 Company's 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 company through its governing body, for our audit, for this report, or for the opinions we have formed.

Salim Tharani

for and on behalf of KPMG LLP

Chartered Accountants

KPMG UK LLP

15 Canada Square

London

E14 5GL

30 March 2021

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 measures 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 subject to audit identified as ‘unaudited’.

Solo internal model

The relevant elements of the RSAI, RSA Re and MIC 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 measures 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
  - Row R0310: SCR

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Appendix 7. Abbreviations and Terms used in this Report

Abbreviation	Description
AOF	Ancillary Own Funds
BAIC	British Aviation Insurance Company Limited
BI	Business Interruption
BBNI	Bound But Not Incepted
BRC	Board Risk Committee
CAA	Commissariat aux Assurances
CAU	Central Accounting Unit
CBI	Central Bank of Ireland
the Company	RSA Insurance Group plc
CRRC	Credit Rating Review Committee
the Delegated Acts	Solvency II Delegated Regulation 2015/35 (as brought into UK law by Section 3 of the European Union (Withdrawal) Act 2018)
DAC	Deferred Acquisition Costs
DIFC	Dubai International Financial Centre
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ENIDs	Events Not In Data
EPIFP	Expected Profit Included in Future Premiums
ESG	Economic, Social and Governance
EU	European Union
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
GAMC	Group Asset Management Committee
GIA	Group Internal Audit
GIC	Group Invesment Committee
the Group	The Company, together with its subsidiaries
the Group Board	The Board of Directors of RSA Insurance Group plc

Abbreviation	Description
GVC	Group Volatility Cover
IAS	International Accounting Standards
IBNR	Incurred But Not Yet Reported
ICS	Internal Control System
IFRS	International Financial Reporting Standards
IMGC	Internal Model Governance Committee
IRV	Internal Reinsurance Vehicle
MIC	The Marine Insurance Company Limited
MCR	Minimum Capital Requirement
MSCR	Minimum consolidated group Solvency Capital Requirement
NAIC	National Association of Insurance Commissioners
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 (as brought into UK regulation by the Technical Standards (Solvency II Directive & Institutions for Occupational Retirement Provision Directive) (EU Exit) Instrument 2019)
RMS	Risk Management System
RSA	The Company, together with its subsidiaries
RSAI	Royal & Sun Alliance Insurance plc
RSAIG	RSA Insurance Group plc
RSA Re	Royal & Sun Alliance Reinsurance Limited
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
US	United States
VA	Volatility Adjustment

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. These have been prepared according to IFRS (as adopted for use in the UK) 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.22.01.22	Impact of long term guarantees and transitionals
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.22.01.21	Impact of long term guarantees and transitionals
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.22.01.21	Impact of long term guarantees and transitionals
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.22.01.21	Impact of long term guarantees and transitionals
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 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

Assets		Solvency II value C0010 £'000
Intangible assets	R0030	-
Deferred tax assets	R0040	206,370
Pension benefit surplus	R0050	378,527
Property, plant & equipment held for own use	R0060	176,551
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	12,453,303
Property (other than for own use)	R0080	284,589
Holdings in related undertakings, including participations	R0090	114,237
Equities	R0100	372,741
Equities - listed	R0110	364,559
Equities - unlisted	R0120	8,182
Bonds	R0130	10,515,678
Government Bonds	R0140	2,971,427
Corporate Bonds	R0150	6,600,511
Structured notes	R0160	-
Collateralised securities	R0170	943,740
Collective Investments Undertakings	R0180	746,801
Derivatives	R0190	124,994
Deposits other than cash equivalents	R0200	294,263
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	427,553
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	1,405
Other loans and mortgages	R0260	426,148
Reinsurance recoverables from:	R0270	1,523,703
Non-life and health similar to non-life	R0280	1,371,809
Non-life excluding health	R0290	1,364,177
Health similar to non-life	R0300	7,632
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	151,894
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	151,894
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	96
Insurance and intermediaries receivables	R0360	261,686
Reinsurance receivables	R0370	90,451
Receivables (trade, not insurance)	R0380	169,437
Own shares (held directly)	R0390	128
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	529,315
Any other assets, not elsewhere shown	R0420	45,774
Total assets	R0500	16,262,894

Liabilities		Solvency II value C0010 £'000
Technical provisions – non-life	R0510	9,294,279
Technical provisions – non-life (excluding health)	R0520	7,913,519
TP calculated as a whole	R0530	-
Best Estimate	R0540	7,497,245
Risk margin	R0550	416,274
Technical provisions - health (similar to non-life)	R0560	1,380,760
TP calculated as a whole	R0570	-
Best Estimate	R0580	1,276,066
Risk margin	R0590	104,694
Technical provisions - life (excluding index-linked and unit-linked)	R0600	1,176,920
Technical provisions - health (similar to life)	R0610	256,230
TP calculated as a whole	R0620	-
Best Estimate	R0630	239,434
Risk margin	R0640	16,796
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	920,690
TP calculated as a whole	R0660	-
Best Estimate	R0670	809,922
Risk margin	R0680	110,768
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	1,715
Provisions other than technical provisions	R0750	66,617
Pension benefit obligations	R0760	78,327
Deposits from reinsurers	R0770	8,005
Deferred tax liabilities	R0780	42,316
Derivatives	R0790	145,411
Debts owed to credit institutions	R0800	131,735
Financial liabilities other than debts owed to credit institutions	R0810	360,865
Insurance & intermediaries payables	R0820	71,522
Reinsurance payables	R0830	44,769
Payables (trade, not insurance)	R0840	574,510
Subordinated liabilities	R0850	475,653
Subordinated liabilities not in BOF	R0860	9,769
Subordinated liabilities in BOF	R0870	465,884
Any other liabilities, not elsewhere shown	R0880	456,048
Total liabilities	R0900	12,928,692
Excess of assets over liabilities	R1000	3,334,202

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**
Premiums written										
Gross - Direct Business	**R0110**	303,989	361,195	64,416	1,425,624	1,011,143	338,474	2,788,527	629,447	12
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	18	8	12,779	173,212	28,167	-
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	4,140	1,135	53	314,327	161,366	62,027	437,772	71,087	8
Net	**R0200**	299,849	360,060	64,363	1,111,315	849,785	289,226	2,523,967	586,527	4
Premiums earned										
Gross - Direct Business	**R0210**	335,710	357,128	64,882	1,449,936	1,011,816	333,655	2,751,361	607,320	12
Gross - Proportional reinsurance accepted	**R0220**	-	4	-	30	9	15,867	169,343	27,395	-
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	5,287	1,157	54	307,573	154,542	69,063	473,078	70,405	8
Net	**R0300**	330,423	355,975	64,828	1,142,393	857,283	280,459	2,447,626	564,310	4
Claims incurred										
Gross - Direct Business	**R0310**	187,578	191,299	41,208	807,684	598,580	140,524	1,523,929	353,985	483
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	559	241	10,120	70,047	3,511	-
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	22,718	291	-	183,718	102,430	7,412	283,762	(4,042)	479
Net	**R0400**	164,860	191,008	41,208	624,525	496,391	143,232	1,310,214	361,538	4
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**	127,198	67,406	22,610	458,395	278,829	115,083	1,033,121	234,187	1,234
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**	**C0200**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Premiums written									
Gross - Direct Business	**R0110**	10,973	38,826	69,762					7,042,388
Gross - Proportional reinsurance accepted	**R0120**	-	-	-					214,184
Gross - Non-proportional reinsurance accepted	**R0130**				-	-	-	5	5
Reinsurers' share	**R0140**	1	221	7,036	-	-	-	57	1,059,230
Net	**R0200**	10,972	38,605	62,726	-	-	-	(52)	6,197,347
Premiums earned									
Gross - Direct Business	**R0210**	10,923	55,959	72,281					7,050,983
Gross - Proportional reinsurance accepted	**R0220**	-	-	-					212,648
Gross - Non-proportional reinsurance accepted	**R0230**				-	-	-	14	14
Reinsurers' share	**R0240**	1	221	7,650	-	-	-	68	1,089,107
Net	**R0300**	10,922	55,738	64,631	-	-	-	(54)	6,174,538
Claims incurred									
Gross - Direct Business	**R0310**	6,116	32,058	34,223					3,917,667
Gross - Proportional reinsurance accepted	**R0320**	-	-	4					84,482
Gross - Non-proportional reinsurance accepted	**R0330**				-	(9,787)	(25)	(3,017)	(12,829)
Reinsurers' share	**R0340**	-	5,870	6,413	-	(12,291)	(3)	(3,135)	593,622
Net	**R0400**	6,116	26,188	27,814	-	2,504	(22)	118	3,395,698
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**	5,014	25,637	23,924	-	32	(1)	161	2,392,830
Other expenses	**R1200**								108,887
Total expenses	**R1300**								2,501,717

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**	-	-	-	25,291	-	-	-	-	25,291
Reinsurers' share	**R1420**	-	-	-	17	-	-	-	-	17
Net	**R1500**	-	-	-	25,274	-	-	-	-	25,274
Premiums earned										
Gross	**R1510**	-	-	-	24,692	-	-	-	-	24,692
Reinsurers' share	**R1520**	-	-	-	17	-	-	-	-	17
Net	**R1600**	-	-	-	24,675	-	-	-	-	24,675
Claims incurred										
Gross	**R1610**	-	-	-	11,794	7,097	69,072	-	-	87,963
Reinsurers' share	**R1620**	-	-	-	-	-	28,037	-	-	28,037
Net	**R1700**	-	-	-	11,794	7,097	41,035	-	-	59,926
Changes in other technical provisions										
Gross	**R1710**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1720**	-	-	-	-	-	-	-	-	-
Net	**R1800**	-	-	-	-	-	-	-	-	-
Expenses incurred	**R1900**	-	-	-	4,935	(5,601)	94	-	-	(572)
Other expenses	**R2500**									22,180
Total expenses	**R2600**									21,608

RSA Insurance Group plc
S.05.02.01
Premiums, claims and expenses by country

Non-life		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	2,567,026	1,798,072	1,040,394	581,527	310,445	147,603	6,445,067
Gross - Proportional reinsurance accepted	R0120	4,295	1,346	2,911	13,726	(19)	1,389	23,648
Gross - Non-proportional reinsurance accepted	R0130	(57)	-	62	-	-	-	5
Reinsurers' share	R0140	674,054	124,544	11,058	32,163	25,609	26,518	893,946
Net	R0200	1,897,210	1,674,874	1,032,309	563,090	284,817	122,474	5,574,774
Premiums earned								
Gross - Direct Business	R0210	2,565,100	1,805,046	1,023,658	585,032	319,015	159,847	6,457,698
Gross - Proportional reinsurance accepted	R0220	1,692	1,320	2,843	13,674	(21)	1,386	20,894
Gross - Non-proportional reinsurance accepted	R0230	(48)	-	62	-	-	-	14
Reinsurers' share	R0240	692,851	118,787	11,273	31,467	25,662	29,821	909,861
Net	R0300	1,873,893	1,687,579	1,015,290	567,239	293,332	131,412	5,568,745
Claims incurred								
Gross - Direct Business	R0310	1,424,266	881,841	579,195	365,547	180,732	73,958	3,505,539
Gross - Proportional reinsurance accepted	R0320	12,054	240	1,577	4,639	14	431	18,955
Gross - Non-proportional reinsurance accepted	R0330	(10,255)	-	19	(93)	-	-	(10,329)
Reinsurers' share	R0340	382,597	9,791	4,135	18,372	27,820	23,304	466,019
Net	R0400	1,043,468	872,290	576,656	351,721	152,926	51,085	3,048,146
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	944,826	687,614	225,681	182,361	113,530	59,798	2,213,810
Other expenses	R1200							105,651
Total expenses	R1300							2,319,461

RSA Insurance Group plc
S.05.02.01
Premiums, claims and expenses by country

Life		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	-	-	18,688	-	-	-	18,688
Reinsurers' share	R1420	-	-	17	-	-	-	17
Net	R1500	-	-	18,671	-	-	-	18,671
Premiums earned								
Gross	R1510	-	-	18,387	-	-	-	18,387
Reinsurers' share	R1520	-	-	17	-	-	-	17
Net	R1600	-	-	18,370	-	-	-	18,370
Claims incurred								
Gross	R1610	73,384	-	1,562	7,092	-	-	82,038
Reinsurers' share	R1620	28,037	-	-	-	-	-	28,037
Net	R1700	45,347	-	1,562	7,092	-	-	54,001
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	2,829	(5,562)	-	-	(2,733)
Other expenses	R2500							22,180
Total expenses	R2600							19,447

RSA Insurance Group plc
S.22.01.22
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	10,471,199	-	-	43,572	-
Basic own funds	R0020	3,290,163	-	-	(32,058)	-
Eligible own funds to meet Solvency Capital Requirement	R0050	3,290,163	-	-	(32,058)	-
Solvency Capital Requirement	R0090	1,743,802	-	-	-	-

RSA Insurance Group plc

S.23.01.22

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	1,035,257	1,035,257		-	
Non-available called but not paid in ordinary share capital at group level	R0020	-	-		-	
Share premium account related to ordinary share capital	R0030	1,095,301	1,095,301		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Non-available subordinated mutual member accounts at group level	R0060	-		-	-	-
Surplus funds	R0070	-	-			
Non-available surplus funds at group level	R0080	-	-			
Preference shares	R0090	125,000		125,000	-	-
Non-available preference shares at group level	R0100	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Non-available share premium account related to preference shares at group level	R0120	-		-	-	-
Reconciliation reserve	R0130	94,192	94,192			
Subordinated liabilities	R0140	465,884		-	465,884	-
Non-available subordinated liabilities at group level	R0150	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	206,370				206,370
The amount equal to the value of net deferred tax assets not available at the group level	R0170	29,000				29,000
Other items approved by supervisory authority as basic own funds not specified above	R0180	297,159	-	297,159	-	-
Non available own funds related to other own funds items approved by supervisory authority	R0190	-	-	-	-	-
Minority interests (if not reported as part of a specific own fund item)	R0200	146,326	146,326	-	-	-
Non-available minority interests at group level	R0210	146,326	146,326	-	-	-
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	R0220	-	-			
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	-	-	-	-	
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	-	-	-	-	-
Deductions for participations where there is non-availability of information (Article 229)	R0250	-	-	-	-	-
Deduction for participations included by using D&A when a combination of methods is used	R0260	-	-	-	-	-
Total of non-available own fund items	R0270	175,326	146,326	-	-	29,000
Total deductions	R0280	175,326	146,326	-	-	29,000
Total basic own funds after deductions	R0290	3,290,163	2,224,750	422,159	465,884	177,370

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Non available ancillary own funds at group level	R0380	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Own funds of other financial sectors						
Reconciliation reserve	R0410	-	-	-	-	
Institutions for occupational retirement provision	R0420	-	-	-	-	-
Non regulated entities carrying out financial activities	R0430	-	-	-	-	
Total own funds of other financial sectors	R0440	-	-	-	-	
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	R0450	-	-	-	-	-
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460	-	-	-	-	-
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)	R0520	3,290,163	2,224,750	422,159	465,884	177,370
Total available own funds to meet the minimum consolidated group SCR	R0530	3,112,793	2,224,750	422,159	465,884	
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)	R0560	3,290,163	2,224,750	422,159	465,884	177,370
Total eligible own funds to meet the minimum consolidated group SCR	R0570	2,910,550	2,224,750	422,159	263,641	
Minimum consolidated group SCR	R0610	1,318,204				

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	220.80%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	3,290,163	2,224,750	422,159	465,884	177,370
Group SCR	**R0680**	1,743,802				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	188.68%				

		C0060
		£'000
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	3,334,203
Own shares (included as assets on the balance sheet)	**R0710**	128
Forseeable dividends, distributions and charges	**R0720**	140,000
Other basic own fund items	**R0730**	2,905,413
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	-
Other non available own funds	**R0750**	194,470
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	94,192
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	448
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	311,963
Total EPIFP	**R0790**	312,411

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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	PPO UW Risk - Expectation	19,662
10000B	PPO UW Risk - Movement from Expectation	684,225
10900A	Other Underwriting Risk - Expectation	(14,882)
10900B	Other Underwriting Risk - Movement from Expectation	211,405
19900B	Diversification within Underwriting Risk	(184,700)
20100A	Catastrophe Risk - Expectation	21,157
20100B	Catastrophe Risk - Movement from Expectation	111,997
50150A	PPO Reserve Risk - Expectation	(557,648)
50150B	PPO Reserve Risk - Movement from Expectation	641,547
50310A	Other Reserving Risks - Expectation	209,906
50310B	Other Reserving Risks - Movement from Expectation	248,868
50210A	Diversification within Reserving Risk	(30,045)
50210B	Market Risk: interest rate risk - Expectation	727,108
59900B	Market Risk: interest rate risk - Movement from Expectation	(399,514)
70100B	Market Risk: equity risk - Expectation	225,000
80100A	Market Risk: equity risk - Movement from Expectation	237,647
80100B	Market Risk: property risk - Expectation	17,122
80110A	Market Risk: property risk - Movement from Expectation	125,345
80110B	Market Risk: spread risk AAA - Expectation	472,611

Calculation of Solvency Capital Requirement		C0100
		£'000
Total undiversified components	R0110	2,766,811
Diversification	R0060	(1,023,009)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	1,743,802
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	1,743,802
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity ot 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	-
Minimum consolidated group solvency capital requirement	R0470	1,318,204

		C0100
		£'000
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	-
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	-
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	-
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	-
Capital requirement for non-controlled participation requirements	R0540	-
Capital requirement for residual undertakings	R0550	-

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Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
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	% 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	2138001MSYC6DJSD6442	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	21380029FNRUTGXSMV81	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	213800J3CJPWXEB8PF90	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
CA	213800DAGAT2GMIPHL60	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	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	31.45%	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	2138007T7FYS937PZZ67	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	Eurotempest Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		33.33%	33.33%	33.33%		Significant	33.33%	Included in the scope		Method 1: Adjusted Equity Method
DK	213800EKN2D9ACM88N66	LEI	Forsikringsselskabet 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	213800FI5ZZ5G9OTW105	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
SE	213800KK4S2KUGIZZF60	LEI	Holmia Livforsakring 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	2138002JCYMLUO559480	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	213800GEYZIFG43S8671	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	213800XUUQZ6KEFHFH86	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	21380042J8ALND55O995	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	2138001NWJJAVDSDI284	LEI	MRM Solutions 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	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	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
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	25.38%	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	213800UFWO1FMYFVJ852	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

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								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
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	% 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
CA	213800TQHQKOE28LBE41	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	213800WTNFVQSB5Q9Y36	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	213800YCQ2NTZBWKFB71	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	2138001DUHCXRJZKBA57	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	213800K98IYF86NOVO18	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	21380027C4I45O77BS20	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
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	213800T7NQT6LNQZQ295	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

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								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
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	% 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	213800OCAOG1IVQXR288	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	QG4SWA0CBQ35QVT5KU66	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	213800OCAOG1IVQXR288CA10152	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	25.00%	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	213800XEBBP59GJ7RB65	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	213800ZPIJG2HWOKGX70	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	213800AW6RS4V8AGNX91	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	213800GQHZOG5CX23H28	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	213800GDYSIB132IA957	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	27.30%	Included in the scope		Method 1: Adjusted Equity Method
US	2138001JJNHJUY652O92	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
IE	635400PUDJ8XTX9SFW67	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	213800FI2PSFQ4ZDBU69	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

RSA Insurance Group plc
S.32.01.22
Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
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	% 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
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	213800HZNB54V174TQ06	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	21380021T4T3KTV7JV62	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	635400BFCWZIQOMIJB05	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
GB	213800ANK59AYB612F23GB000 01	specific code	Hempton Court Manco Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual		66.60%	100.00%	66.60%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
CA	2138008559MI2WUBA859	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	213800M1YOM7RHNXSH12	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

Assets		Solvency II value C0010 £'000
Intangible assets	R0030	-
Deferred tax assets	R0040	152,242
Pension benefit surplus	R0050	331,031
Property, plant & equipment held for own use	R0060	67,762
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	10,712,535
Property (other than for own use)	R0080	281,476
Holdings in related undertakings, including participations	R0090	6,472,913
Equities	R0100	2,081
Equities - listed	R0110	1,343
Equities - unlisted	R0120	738
Bonds	R0130	3,443,111
Government Bonds	R0140	893,000
Corporate Bonds	R0150	2,162,094
Structured notes	R0160	-
Collateralised securities	R0170	388,017
Collective Investments Undertakings	R0180	406,383
Derivatives	R0190	97,140
Deposits other than cash equivalents	R0200	9,431
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	1,229,284
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	1,405
Other loans and mortgages	R0260	1,227,879
Reinsurance recoverables from:	R0270	1,201,056
Non-life and health similar to non-life	R0280	1,065,587
Non-life excluding health	R0290	1,065,587
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	135,469
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	135,469
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	63,505
Insurance and intermediaries receivables	R0360	173,194
Reinsurance receivables	R0370	36,210
Receivables (trade, not insurance)	R0380	672,989
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	139,814
Any other assets, not elsewhere shown	R0420	18,770
Total assets	R0500	14,798,392

Liabilities		Solvency II value C0010 £'000
Technical provisions – non-life	R0510	4,587,682
Technical provisions – non-life (excluding health)	R0520	4,547,669
TP calculated as a whole	R0530	-
Best Estimate	R0540	4,343,118
Risk margin	R0550	204,551
Technical provisions - health (similar to non-life)	R0560	40,013
TP calculated as a whole	R0570	-
Best Estimate	R0580	38,323
Risk margin	R0590	1,690
Technical provisions - life (excluding index-linked and unit-linked)	R0600	354,162
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
linked)	R0650	354,162
TP calculated as a whole	R0660	-
Best Estimate	R0670	285,433
Risk margin	R0680	68,729
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	50,093
Pension benefit obligations	R0760	6,940
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	118,418
Debts owed to credit institutions	R0800	6,595
Financial liabilities other than debts owed to credit institutions	R0810	4,656,624
Insurance & intermediaries payables	R0820	87,316
Reinsurance payables	R0830	21,750
Payables (trade, not insurance)	R0840	987,311
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	203,185
Total liabilities	R0900	11,080,076
Excess of assets over liabilities	R1000	3,718,316

Royal & Sun Alliance Insurance 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**
Premiums written										
Gross - Direct Business	**R0110**	228,410	-	-	482,640	269,081	125,294	1,075,262	297,968	12
Gross - Proportional reinsurance accepted	**R0120**	-	1,037	-	241,415	82,691	124,348	439,601	132,615	-
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	-	-	-	280,918	156,266	37,131	309,742	55,061	8
Net	**R0200**	228,410	1,037	-	443,137	195,506	212,511	1,205,121	375,522	4
Premiums earned										
Gross - Direct Business	**R0210**	238,587	-	-	494,334	274,061	125,703	1,059,907	278,837	12
Gross - Proportional reinsurance accepted	**R0220**	-	1,065	-	244,359	82,925	121,441	435,473	128,676	-
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	-	-	-	270,456	149,367	43,029	341,748	53,319	8
Net	**R0300**	238,587	1,065	-	468,237	207,619	204,115	1,153,632	354,194	4
Claims incurred										
Gross - Direct Business	**R0310**	125,315	-	-	271,847	174,081	38,460	555,439	184,971	483
Gross - Proportional reinsurance accepted	**R0320**	-	(391)	-	147,206	41,767	80,941	306,385	71,881	-
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	-	-	-	155,328	100,574	9,601	227,949	7,444	479
Net	**R0400**	125,315	(391)	-	263,725	115,274	109,800	633,875	249,408	4
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**	87,462	351	-	202,917	80,621	86,347	565,451	132,221	1,234
Other expenses	**R1200**									
Total expenses	**R1300**									

Royal & Sun Alliance Insurance 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**	**C0200**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Premiums written									
Gross - Direct Business	**R0110**	10,973	20,766	27,433					2,537,839
Gross - Proportional reinsurance accepted	**R0120**	-	168	2					1,021,877
Gross - Non-proportional reinsurance accepted	**R0130**				-	-	-	-	-
Reinsurers' share	**R0140**	1	-	1,443	-	-	-	-	840,570
Net	**R0200**	10,972	20,934	25,992	-	-	-	-	2,719,146
Premiums earned									
Gross - Direct Business	**R0210**	10,921	32,509	31,327					2,546,198
Gross - Proportional reinsurance accepted	**R0220**	-	329	6					1,014,274
Gross - Non-proportional reinsurance accepted	**R0230**				-	-	-	10	10
Reinsurers' share	**R0240**	1	-	1,442	-	-	-	10	859,380
Net	**R0300**	10,920	32,838	29,891	-	-	-	-	2,701,102
Claims incurred									
Gross - Direct Business	**R0310**	6,116	15,380	25,343					1,397,435
Gross - Proportional reinsurance accepted	**R0320**	-	175	-					647,964
Gross - Non-proportional reinsurance accepted	**R0330**				-	5,316	-	202	5,518
Reinsurers' share	**R0340**	-	-	3,729	-	(479)	-	-	504,625
Net	**R0400**	6,116	15,555	21,614	-	5,795	-	202	1,546,292
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**	5,014	16,952	11,807	-	-	-	-	1,190,377
Other expenses	**R1200**								70,765
Total expenses	**R1300**								1,261,142

Royal & Sun Alliance Insurance 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**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1420**	-	-	-	-	-	-	-	-	-
Net	**R1500**	-	-	-	-	-	-	-	-	-
Premiums earned										
Gross	**R1510**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1520**	-	-	-	-	-	-	-	-	-
Net	**R1600**	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	**R1610**	-	-	-	-	-	73,087	-	-	73,087
Reinsurers' share	**R1620**	-	-	-	-	-	27,760	-	-	27,760
Net	**R1700**	-	-	-	-	-	45,327	-	-	45,327
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.05.02.01
Premiums, claims and expenses by country

Non-life		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	IE	LU			
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	2,494,250	-	(19)	-	-	-	2,494,231
Gross - Proportional reinsurance accepted	R0120	191,441	282,104	205,066	161,779	-	-	840,390
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	730,714	224	(2)	-	-	-	730,936
Net	R0200	1,954,977	281,880	205,049	161,779	-	-	2,603,685
Premiums earned								
Gross - Direct Business	R0210	2,499,168	-	(19)	-	-	-	2,499,149
Gross - Proportional reinsurance accepted	R0220	189,423	274,488	212,739	163,701	-	-	840,351
Gross - Non-proportional reinsurance accepted	R0230	10	-	-	-	-	-	10
Reinsurers' share	R0240	750,077	224	(2)	-	-	-	750,299
Net	R0300	1,938,524	274,264	212,722	163,701	-	-	2,589,211
Claims incurred								
Gross - Direct Business	R0310	1,391,713	-	(72)	-	-	-	1,391,641
Gross - Proportional reinsurance accepted	R0320	129,550	171,795	103,086	97,229	-	-	501,660
Gross - Non-proportional reinsurance accepted	R0330	2,227	-	3,291	-	-	-	5,518
Reinsurers' share	R0340	426,145	-	275	-	-	-	426,420
Net	R0400	1,097,345	171,795	106,030	97,229	-	-	1,472,399
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	954,773	88,156	69,610	46,655	-	-	1,159,194
Other expenses	R1200							70,765
Total expenses	R1300							1,229,959

Royal & Sun Alliance Insurance plc
S.05.02.01
Premiums, claims and expenses by country

Life		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	LU			
		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	73,087	-	-	-	-	-	73,087
Reinsurers' share	R1620	27,760	-	-	-	-	-	27,760
Net	R1700	45,327	-	-	-	-	-	45,327
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			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
		£'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**	-		-	-		-	-	285,432	-	285,432
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	-		-	-		-	-	135,469	-	135,469
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	-		-	-		-	-	149,963	-	149,963
Risk Margin	**R0100**	-	-			-			68,729	-	68,729
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**	-	-			-			-	-	-
Best estimate	**R0120**	-		-	-		-	-	-	-	-
Risk margin	**R0130**	-	-			-			-	-	-
Technical provisions - total	**R0200**	-	-			-			354,161	-	354,161

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**	**C0190**	**C0200**	**C0210**
		£'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**	15,862	206	-	64,374	40,386	19,774	123,022	37,297	(81)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	(2,643)	12,468	(8,897)	(49,305)	(4,301)	8
Net Best Estimate of Premium Provisions	**R0150**	15,862	206	-	67,017	27,918	28,671	172,327	41,598	(89)
Claims provisions										
Gross	**R0160**	22,009	201	-	1,614,756	(72,169)	263,503	1,070,316	1,066,378	3,167
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	636,584	(36,231)	31,255	315,911	167,250	(455)
Net Best Estimate of Claims Provisions	**R0250**	22,009	201	-	978,172	(35,938)	232,248	754,405	899,128	3,622
Total Best estimate - gross	**R0260**	37,871	407	-	1,679,130	(31,783)	283,277	1,193,338	1,103,675	3,086
Total Best estimate - net	**R0270**	37,871	407	-	1,045,189	(8,020)	260,919	926,732	940,726	3,533
Risk margin	**R0280**	1,675	13	-	81,020	1,579	11,417	34,674	69,418	106
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**	39,546	420	-	1,760,150	(30,204)	294,694	1,228,012	1,173,093	3,192
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	633,941	(23,763)	22,358	266,606	162,949	(447)
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	39,546	420	-	1,126,209	(6,441)	272,336	961,406	1,010,144	3,639

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**	2,991	(5,911)	(2,050)	-	-	-	-	295,870
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	(29)	-	-	-	-	(52,699)
Net Best Estimate of Premium Provisions	**R0150**	2,991	(5,911)	(2,021)	-	-	-	-	348,569
Claims provisions									
Gross	**R0160**	4,636	(906)	16,349	45	95,498	(1)	1,789	4,085,571
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	(338)	-	4,309	-	-	-	-	1,118,285
Net Best Estimate of Claims Provisions	**R0250**	4,974	(906)	12,040	45	95,498	(1)	1,789	2,967,286
Total Best estimate - gross	**R0260**	7,627	(6,817)	14,299	45	95,498	(1)	1,789	4,381,441
Total Best estimate - net	**R0270**	7,965	(6,817)	10,019	45	95,498	(1)	1,789	3,315,855
Risk margin	**R0280**	268	42	425	2	5,578	-	23	206,240
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**	7,895	(6,775)	14,724	47	101,076	(1)	1,812	4,587,681
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	(338)	-	4,280	-	-	-	-	1,065,586
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	8,233	(6,775)	10,444	47	101,076	(1)	1,812	3,522,095

Royal & Sun Alliance Insurance plc
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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 0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Prior	R0100											29,400	R0100	29,400	29,400
N-9	R0160	869,188	414,716	199,921	127,052	93,314	41,740	33,421	20,419	10,359	9,520		R0160	9,520	1,819,650
N-8	R0170	988,339	567,606	193,207	103,893	71,885	73,846	36,182	22,029	12,286			R0170	12,286	2,069,273
N-7	R0180	865,091	541,153	162,272	104,973	94,995	73,312	45,934	35,712				R0180	35,712	1,923,442
N-6	R0190	899,237	459,243	184,764	102,565	121,534	87,653	56,756					R0190	56,756	1,911,752
N-5	R0200	871,832	571,700	201,959	121,276	83,994	75,137						R0200	75,137	1,925,898
N-4	R0210	899,027	536,669	216,911	134,123	91,788							R0210	91,788	1,878,518
N-3	R0220	977,853	634,651	276,142	135,960								R0220	135,960	2,024,606
N-2	R0230	1,014,268	727,120	256,826									R0230	256,826	1,998,214
N-1	R0240	949,333	537,690										R0240	537,690	1,487,023
N	R0250	814,779											R0250	814,779	814,779
												Total	R0260	2,055,854	17,882,555

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year -	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Prior	R0100											228,390	R0100	224,682
N-9	R0160	-	-	-	-	-	116,773	92,799	61,483	51,389	54,092		R0160	53,919
N-8	R0170	-	-	-	-	214,056	138,763	93,073	54,673	41,567			R0170	41,426
N-7	R0180	-	-	-	371,308	287,767	203,970	146,129	92,579				R0180	92,371
N-6	R0190	-	-	536,453	401,940	269,912	168,847	112,080					R0190	111,704
N-5	R0200	-	843,059	494,679	369,086	253,569	204,813						R0200	203,943
N-4	R0210	1,101,567	785,967	489,678	375,072	291,272							R0210	289,234
N-3	R0220	1,249,847	673,117	576,390	434,283								R0220	432,326
N-2	R0230	1,343,273	828,451	579,984									R0230	577,296
N-1	R0240	1,305,163	836,121										R0240	833,133
N	R0250	1,231,474											R0250	1,225,516
												Total	R0260	4,085,550

Royal & Sun Alliance Insurance plc
S.22.01.21
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	4,941,844	-	-	11,669	-
Basic own funds	R0020	3,548,847	-	-	(32,058)	-
Eligible own funds to meet Solvency Capital Requirement	R0050	3,548,847	-	-	(32,058)	-
Solvency Capital Requirement	R0090	1,743,802	-	-	-	-
Eligible own funds to meet Minimum Capital Requirement	R0100	3,044,352	-	-	(32,058)	-
Minimum Capital Requirement	R0110	568,153	-	-	-	-

Royal & Sun Alliance Insurance plc

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
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)	R0010	1,214,953	1,214,953		-	
Share premium account related to ordinary share capital	R0030	2,954,183	2,488,299		465,884	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	(772,531)	(772,531)			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	152,242				152,242
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	3,548,847	2,930,721	-	465,884	152,242

Royal & Sun Alliance Insurance plc

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	3,548,847	2,930,721	-	465,884	152,242
Total available own funds to meet the MCR	R0510	3,396,605	2,930,721	-	465,884	
Total eligible own funds to meet the SCR	R0540	3,548,847	2,930,721	-	465,884	152,242
Total eligible own funds to meet the MCR	R0550	3,044,352	2,930,721	-	113,631	
SCR	R0580	1,743,802				
MCR	R0600	568,153				
Ratio of Eligible own funds to SCR	R0620	203.51%				
Ratio of Eligible own funds to MCR	R0640	535.83%				

		C0060
		£'000
Reconciliation reserve		
Excess of assets over liabilities	R0700	3,718,317
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	169,470
Other basic own fund items	R0730	4,321,378
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	(772,531)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	28,039
Total Expected profits included in future premiums (EPIFP)	R0790	28,039

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	PPO UW Risk - Expectation	19,662
10000B	PPO UW Risk - Movement from Expectation	684,225
10900A	Other Underwriting Risk - Expectation	(14,882)
10900B	Other Underwriting Risk - Movement from Expectation	211,405
19900B	Diversification within Underwriting Risk	(184,700)
20100A	Catastrophe Risk - Expectation	21,157
20100B	Catastrophe Risk - Movement from Expectation	111,997
50150A	PPO Reserve Risk - Expectation	(557,648)
50150B	PPO Reserve Risk - Movement from Expectation	641,547
50310A	Other Reserving Risks - Expectation	209,906
50310B	Other Reserving Risks - Movement from Expectation	248,868
50210A	Diversification within Reserving Risk	(30,045)
50210B	Market Risk: interest rate risk - Expectation	727,108
59900B	Market Risk: interest rate risk - Movement from Expectation	(399,514)
70100B	Market Risk: equity risk - Expectation	225,000
80100A	Market Risk: equity risk - Movement from Expectation	237,647
80100B	Market Risk: property risk - Expectation	17,122
80110A	Market Risk: property risk - Movement from Expectation	125,345
80110B	Market Risk: spread risk AAA - Expectation	472,611

Calculation of Solvency Capital Requirement		C0100 £'000
Total undiversified components	**R0110**	2,766,811
Diversification	**R0060**	(1,023,009)
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**	1,743,802
Capital add-ons already set	**R0210**	-
Solvency capital requirement	**R0220**	1,743,802
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	-
Amount/estimate of the overall loss-absorbing capacity ot 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	565,003

		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
reinsurance	R0020	37,871	228,410
Income protection insurance and proportional reinsurance	R0030	407	1,037
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	1,045,188	443,137
Other motor insurance and proportional reinsurance	R0060	-	195,506
Marine, aviation and transport insurance and proportional reinsurance	R0070	260,918	212,511
Fire and other damage to property insurance and proportional reinsurance	R0080	926,733	1,202,574
General liability insurance and proportional reinsurance	R0090	940,727	375,522
Credit and suretyship insurance and proportional reinsurance	R0100	3,532	4
Legal expenses insurance and proportional reinsurance	R0110	7,965	10,972
Assistance and proportional reinsurance	R0120	-	20,934
Miscellaneous financial loss insurance and proportional reinsurance	R0130	10,019	25,992
Non-proportional health reinsurance	R0140	45	-
Non-proportional casualty reinsurance	R0150	95,498	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	1,789	-

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	3,149

		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	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	-	
Other life (re)insurance and health (re)insurance obligations	R0240	149,964	
Total capital at risk for all life (re)insurance obligations	R0250		-

Overall MCR calculation

		C0070
		£'000
Linear MCR	R0300	568,152
SCR	R0310	1,743,802
MCR cap	R0320	784,711
MCR floor	R0330	435,950
Combined MCR	R0340	568,153
Absolute floor of the MCR	R0350	3,332
Minimum Capital Requirement	R0400	568,153

Royal & Sun Alliance Reinsurance Limited
S.02.01.02
Balance sheet

Assets		Solvency II value C0010 £'000
Intangible assets	R0030	-
Deferred tax assets	R0040	-
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	58,451
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	58,451
Government Bonds	R0140	22,696
Corporate Bonds	R0150	28,429
Structured notes	R0160	-
Collateralised securities	R0170	7,326
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	425,789
Non-life and health similar to non-life	R0280	425,789
Non-life excluding health	R0290	425,789
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	13,629
Reinsurance receivables	R0370	20,561
Receivables (trade, not insurance)	R0380	-
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	12
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	518,442

Liabilities		Solvency II value C0010 £'000
Technical provisions – non-life	R0510	417,506
Technical provisions – non-life (excluding health)	R0520	417,506
TP calculated as a whole	R0530	-
Best Estimate	R0540	416,976
Risk margin	R0550	530
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	-
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	317
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	5,556
Reinsurance payables	R0830	20,467
Payables (trade, not insurance)	R0840	2,609
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	311
Total liabilities	R0900	446,766
Excess of assets over liabilities	R1000	71,676

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**								
		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**	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	122	52	32,975	208,226	46,095	-
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	-	-	-	122	52	32,975	198,736	46,095	-
Net	**R0200**	-	-	-	-	-	-	9,490	-	-
Premiums earned										
Gross - Direct Business	**R0210**	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	128	55	31,642	214,409	45,105	-
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	-	-	-	128	55	31,642	204,919	45,105	-
Net	**R0300**	-	-	-	-	-	-	9,490	-	-
Claims incurred										
Gross - Direct Business	**R0310**	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	394	197	21,134	103,012	(4,708)	-
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	-	-	-	394	197	21,134	93,098	(4,708)	-
Net	**R0400**	-	-	-	-	-	-	9,914	-	-
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**	-	-	-	-	-	-	(422)	-	-
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**	**C0200**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Premiums written									
Gross - Direct Business	**R0110**	-	-	-					-
Gross - Proportional reinsurance accepted	**R0120**	-	-	-					287,470
Gross - Non-proportional reinsurance accepted	**R0130**				-	12,011	-	31,713	43,724
Reinsurers' share	**R0140**	-	-	-	-	12,011	-	31,713	321,704
Net	**R0200**	-	-	-	-	-	-	-	9,490
Premiums earned									
Gross - Direct Business	**R0210**	-	-	-					-
Gross - Proportional reinsurance accepted	**R0220**	-	-	-					291,339
Gross - Non-proportional reinsurance accepted	**R0230**				-	12,011	-	31,712	43,723
Reinsurers' share	**R0240**	-	-	-	-	12,011	-	31,712	325,572
Net	**R0300**	-	-	-	-	-	-	-	9,490
Claims incurred									
Gross - Direct Business	**R0310**	-	-	-					-
Gross - Proportional reinsurance accepted	**R0320**	-	-	-					120,029
Gross - Non-proportional reinsurance accepted	**R0330**				-	33,647	(537)	51,127	84,237
Reinsurers' share	**R0340**	-	-	-	-	33,647	(537)	51,127	194,352
Net	**R0400**	-	-	-	-	-	-	-	9,914
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**	-	-	-	-	(188)	-	(692)	(1,302)
Other expenses	**R1200**								-
Total expenses	**R1300**								(1,302)

Royal & Sun Alliance Reinsurance Limited
S.05.02.01
Premiums, claims and expenses by country

Non-life		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		US	ES	CA	MX	IE	
		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	31,346	57,339	28,439	8,497	12,702	8,334	146,657
Gross - Non-proportional reinsurance accepted	R0130	21,557	-	-	14,987	-	2,568	39,112
Reinsurers' share	R0140	43,413	57,339	28,439	23,484	12,702	10,902	176,279
Net	R0200	9,490	-	-	-	-	-	9,490
Premiums earned								
Gross - Direct Business	R0210	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	29,565	59,417	25,881	8,127	13,751	8,090	144,831
Gross - Non-proportional reinsurance accepted	R0230	21,556	-	-	14,987	-	2,568	39,111
Reinsurers' share	R0240	41,631	59,417	25,881	23,114	13,751	10,658	174,452
Net	R0300	9,490	-	-	-	-	-	9,490
Claims incurred								
Gross - Direct Business	R0310	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	12,709	22,524	(9,686)	(2,905)	41	(5,531)	17,152
Gross - Non-proportional reinsurance accepted	R0330	22,719	-	-	38,858	-	18,137	79,714
Reinsurers' share	R0340	23,014	22,524	(9,686)	35,953	41	12,606	84,452
Net	R0400	12,414	-	-	-	-	-	12,414
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	(817)	-	-	(328)	-	(56)	(1,201)
Other expenses	R1200							-
Total expenses	R1300							(1,201)

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**
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**	-	-	-	54	5	(276)	10,798	5,685	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	56	6	1,189	20,632	6,864	-
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	(2)	(1)	(1,465)	(9,834)	(1,179)	-
Claims provisions										
Gross	**R0160**	-	-	-	355	154	21,024	139,797	86,275	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	348	153	20,816	138,442	85,395	-
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	7	1	208	1,355	880	-
Total Best estimate - gross	**R0260**	-	-	-	409	159	20,748	150,595	91,960	-
Total Best estimate - net	**R0270**	-	-	-	5	-	(1,257)	(8,479)	(299)	-
Risk margin	**R0280**	-	-	-	1	-	36	110	165	-
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**	-	-	-	410	159	20,784	150,705	92,125	-
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	404	159	22,005	159,074	92,259	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-	-	-	6	-	(1,221)	(8,369)	(134)	-

Royal & Sun Alliance Reinsurance Limited
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**	-	-	-	-	(51)	-	(155)	16,060
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-	(8)	-	(12)	28,727
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	-	(43)	-	(143)	(12,667)
Claims provisions									
Gross	**R0160**	-	-	-	-	52,593	524	100,193	400,915
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-	52,198	518	99,191	397,061
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	-	395	6	1,002	3,854
Total Best estimate - gross	**R0260**	-	-	-	-	52,542	524	100,038	416,975
Total Best estimate - net	**R0270**	-	-	-	-	352	6	859	(8,813)
Risk margin	**R0280**	-	-	-	-	70	1	147	530
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**	-	-	-	-	52,612	525	100,185	417,505
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-	52,190	518	99,179	425,788
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-	-	-	-	422	7	1,006	(8,283)

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

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Prior	R0100											3,107	R0100	3,107	3,107
N-9	R0160	60,621	75,109	37,391	11,059	3,595	1,644	2,653	2,097	1,722	2,310		R0160	2,310	198,201
N-8	R0170	45,126	63,219	19,484	6,691	2,954	3,973	5,270	2,688	487			R0170	487	149,892
N-7	R0180	31,150	46,568	23,336	5,668	2,674	2,617	2,398	11,238				R0180	11,238	125,649
N-6	R0190	47,455	67,879	36,759	7,294	3,939	6,736	1,914					R0190	1,914	171,976
N-5	R0200	20,896	56,970	40,117	20,205	1,797	1,993						R0200	1,993	141,978
N-4	R0210	27,905	65,902	20,315	5,640	2,053							R0210	2,053	121,815
N-3	R0220	33,052	102,923	68,288	10,363								R0220	10,363	214,626
N-2	R0230	18,648	99,210	42,943									R0230	42,943	160,801
N-1	R0240	41,072	51,689										R0240	51,689	92,761
N	R0250	46,952											R0250	46,952	46,952
												Total	R0260	175,049	1,427,758

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Prior	R0100											26,759	R0100	26,883
N-9	R0160	-	-	-	-	-	7,815	4,582	3,779	4,994	2,250		R0160	2,250
N-8	R0170	-	-	-	-	21,000	15,285	8,765	6,415	5,489			R0170	5,476
N-7	R0180	-	-	-	14,153	12,080	3,408	5,138	4,243				R0180	4,140
N-6	R0190	-	-	15,011	10,383	5,827	4,388	3,481					R0190	3,492
N-5	R0200	-	62,250	21,248	7,395	4,487	2,886						R0200	2,942
N-4	R0210	125,125	76,752	28,626	27,273	20,522							R0210	20,586
N-3	R0220	166,468	112,858	37,008	24,116								R0220	24,106
N-2	R0230	139,763	96,267	56,187									R0230	56,231
N-1	R0240	150,454	86,235										R0240	86,229
N	R0250	168,544											R0250	168,578
												Total	R0260	400,913

Royal & Sun Alliance Reinsurance Limited
S.22.01.21
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	417,506	-	-	962	-
Basic own funds	R0020	71,676	-	-	46	-
Eligible own funds to meet Solvency Capital Requirement	R0050	71,676	-	-	46	-
Solvency Capital Requirement	R0090	19,469	-	-	-	-
Eligible own funds to meet Minimum Capital Requirement	R0100	71,676	-	-	46	-
Minimum Capital Requirement	R0110	4,867	-	-	(117)	-

Royal & Sun Alliance Reinsurance Limited

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
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)	R0010	70,000	70,000		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	1,676	1,676			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	71,676	71,676	-	-	-

Royal & Sun Alliance Reinsurance Limited

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	71,676	71,676	-	-	-
Total available own funds to meet the MCR	R0510	71,676	71,676	-	-	
Total eligible own funds to meet the SCR	R0540	71,676	71,676	-	-	-
Total eligible own funds to meet the MCR	R0550	71,676	71,676	-	-	
SCR	R0580	19,469				
MCR	R0600	4,867				
Ratio of Eligible own funds to SCR	R0620	368.16%				
Ratio of Eligible own funds to MCR	R0640	1,472.63%				

		C0060
		£'000
Reconciliation reserve		
Excess of assets over liabilities	R0700	71,676
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	70,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	1,676
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	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
5151ZA	Other Underwriting Risk - Expectation	446
5151ZB	Other Underwriting Risk - Movement from Expectation	350
502IZA	Other Reserving Risks - Expectation	(394)
502IZB	Other Reserving Risks - Movement from Expectation	135
10300A	Market Risk: interest rate risk - Expectation	13
10300B	Market Risk: interest rate risk - Movement from Expectation	2,214
1071AA	Market Risk: spread risk AAA - Expectation	-
1071AB	Market Risk: spread risk AAA - Movement from Expectation	-
1071BA	Market Risk: spread risk AA - Expectation	(5)
1071BB	Market Risk: spread risk AA - Movement from Expectation	724
1071CA	Market Risk: spread risk A - Expectation	(59)
1071CB	Market Risk: spread risk A - Movement from Expectation	2,596
10900A	Market Risk: Group Currency Risk - Expectation	(697)
10900B	Market Risk: Group Currency Risk - Movement from Expectation	11,137
19900I	Diversification within Market Risk	(5,371)
20100A	Credit Risk - Expectation	78
20100B	Credit Risk - Movement from Expectation	(78)
70100B	Operational Risk - Movement from Expectation	8,600
80140A	Other Risks: Tax - Expectation	439
80140B	Other Risks: Tax - Movement from Expectation	(439)

Calculation of Solvency Capital Requirement		C0100
		£'000
Total undiversified components	R0110	19,689
Diversification	R0060	(220)
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	19,469
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	19,469
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity ot 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 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	938

		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	5	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	-	9,490
General liability insurance and proportional reinsurance	R0090	-	-
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	352	-
Non-proportional marine, aviation and transport reinsurance	R0160	5	-
Non-proportional property reinsurance	R0170	859	-

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	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	-	
Other life (re)insurance and health (re)insurance obligations	R0240	-	
Total capital at risk for all life (re)insurance obligations	R0250		-

Overall MCR calculation

		C0070
		£'000
Linear MCR	R0300	938
SCR	R0310	19,469
MCR cap	R0320	8,761
MCR floor	R0330	4,867
Combined MCR	R0340	4,867
Absolute floor of the MCR	R0350	3,242
Minimum Capital Requirement	R0400	4,867

The Marine Insurance Company Limited
S.02.01.02
Balance sheet

Assets		Solvency II value C0010 £'000
Intangible assets	R0030	-
Deferred tax assets	R0040	-
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	13,543
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	13,543
Government Bonds	R0140	13,543
Corporate Bonds	R0150	-
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	17,646
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	17,646
Reinsurance recoverables from:	R0270	64,064
Non-life and health similar to non-life	R0280	64,064
Non-life excluding health	R0290	64,064
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	2,636
Reinsurance receivables	R0370	15,958
Receivables (trade, not insurance)	R0380	23,500
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	378
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	137,725

Liabilities		Solvency II value C0010 £'000
Technical provisions – non-life	R0510	63,327
Technical provisions – non-life (excluding health)	R0520	63,327
TP calculated as a whole	R0530	-
Best Estimate	R0540	63,233
Risk margin	R0550	94
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	25
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	166
Reinsurance payables	R0830	14,938
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	905
Total liabilities	R0900	79,361
Excess of assets over liabilities	R1000	58,364

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**
Premiums written										
Gross - Direct Business	**R0110**	-	-	-	-	-	19,871	10,410	70	-
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	-	4,331	-	-
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	-	-	-	-	-	19,871	14,741	70	-
Net	**R0200**	-	-	-	-	-	-	-	-	-
Premiums earned										
Gross - Direct Business	**R0210**	-	-	-	-	-	16,946	13,430	94	-
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	-	3,601	-	-
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	-	-	-	-	-	16,946	17,031	94	-
Net	**R0300**	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross - Direct Business	**R0310**	-	-	-	-	-	13,545	8,848	85	-
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	-	749	-	-
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	-	-	-	-	-	13,545	9,597	85	-
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**	-	-	-	-	-	(3,082)	(1,575)	1	-
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**	-	-	-					30,351
Gross - Proportional reinsurance accepted	**R0120**	-	-	-					4,331
Gross - Non-proportional reinsurance accepted	**R0130**				-	-	-	-	-
Reinsurers' share	**R0140**	-	-	-	-	-	-	-	34,682
Net	**R0200**	-	-	-	-	-	-	-	-
Premiums earned									
Gross - Direct Business	**R0210**	-	-	-					30,470
Gross - Proportional reinsurance accepted	**R0220**	-	-	-					3,601
Gross - Non-proportional reinsurance accepted	**R0230**				-	-	-	-	-
Reinsurers' share	**R0240**	-	-	-	-	-	-	-	34,071
Net	**R0300**	-	-	-	-	-	-	-	-
Claims incurred									
Gross - Direct Business	**R0310**	-	-	-					22,478
Gross - Proportional reinsurance accepted	**R0320**	-	-	-					749
Gross - Non-proportional reinsurance accepted	**R0330**				-	-	-	-	-
Reinsurers' share	**R0340**	-	-	-	-	-	-	-	23,227
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**	-	-	-	-	-	-	-	(4,656)
Other expenses	**R1200**								-
Total expenses	**R1300**								(4,656)

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	C0070
	R0010		US					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Premiums written								
Gross - Direct Business	R0110	19,941	10,410	-	-	-	-	30,351
Gross - Proportional reinsurance accepted	R0120	-	4,331	-	-	-	-	4,331
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	19,941	14,741	-	-	-	-	34,682
Net	R0200	-	-	-	-	-	-	-
Premiums earned								
Gross - Direct Business	R0210	17,040	13,430	-	-	-	-	30,470
Gross - Proportional reinsurance accepted	R0220	-	3,601	-	-	-	-	3,601
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	17,040	17,031	-	-	-	-	34,071
Net	R0300	-	-	-	-	-	-	-
Claims incurred								
Gross - Direct Business	R0310	13,630	8,848	-	-	-	-	22,478
Gross - Proportional reinsurance accepted	R0320	-	749	-	-	-	-	749
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	13,630	9,597	-	-	-	-	23,227
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	(3,081)	(1,575)	-	-	-	-	(4,656)
Other expenses	R1200							-
Total expenses	R1300							(4,656)

The Marine Insurance Company 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**
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**	-	-	-	-	-	3,814	2,471	140	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-	-	4,601	3,084	139	-
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	-	-	(787)	(613)	1	-
Claims provisions										
Gross	**R0160**	-	-	-	-	-	20,678	35,633	497	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-	-	20,471	35,277	492	-
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	-	-	207	356	5	-
Total Best estimate - gross	**R0260**	-	-	-	-	-	24,492	38,104	637	-
Total Best estimate - net	**R0270**	-	-	-	-	-	(580)	(257)	6	-
Risk margin	**R0280**	-	-	-	-	-	45	48	1	-
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**	-	-	-	-	-	24,537	38,152	638	-
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-	-	25,072	38,361	631	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-	-	-	-	-	(535)	(209)	7	-

The Marine Insurance Company Limited
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**	-	-	-	-	-	-	-	6,425
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-	-	-	-	7,824
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	-	-	-	-	(1,399)
Claims provisions									
Gross	**R0160**	-	-	-	-	-	-	-	56,808
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-	-	-	-	56,240
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	-	-	-	-	568
Total Best estimate - gross	**R0260**	-	-	-	-	-	-	-	63,233
Total Best estimate - net	**R0270**	-	-	-	-	-	-	-	(831)
Risk margin	**R0280**	-	-	-	-	-	-	-	94
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**	-	-	-	-	-	-	-	63,327
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-	-	-	-	64,064
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-	-	-	-	-	-	-	(737)

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 0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Prior	R0100											209	R0100	209	209
N-9	R0160	1,174	4,707	4,687	574	484	-	-	(22)	(36)	1		R0160	1	11,569
N-8	R0170	6,802	6,698	3,787	151	34	4	(667)	(37)	(12)			R0170	(12)	16,760
N-7	R0180	7,562	5,568	1,458	165	469	17	3	42				R0180	42	15,284
N-6	R0190	2,884	1,104	1,521	162	8	17	30					R0190	30	5,726
N-5	R0200	472	3,064	1,071	135	28	(12)						R0200	(12)	4,758
N-4	R0210	3,608	9,068	3,871	283	606							R0210	606	17,436
N-3	R0220	5,854	11,894	2,809	761								R0220	761	21,318
N-2	R0230	2,358	4,022	4,249									R0230	4,249	10,629
N-1	R0240	3,910	4,541										R0240	4,541	8,451
N	R0250	2,497											R0250	2,497	2,497
												Total	R0260	12,912	114,637

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Prior	R0100											1,754	R0100	1,735
N-9	R0160	-	-	-	-	-	203	127	139	114	(322)		R0160	(322)
N-8	R0170	-	-	-	-	939	750	336	202	193			R0170	192
N-7	R0180	-	-	-	369	769	99	25	(348)				R0180	(347)
N-6	R0190	-	-	162	38	216	30	(335)					R0190	(334)
N-5	R0200	-	1,245	104	254	397	341						R0200	344
N-4	R0210	18,606	1,426	2,176	500	1,912							R0210	1,975
N-3	R0220	14,670	5,541	5,192	5,022								R0220	5,095
N-2	R0230	11,463	29,640	29,173									R0230	30,060
N-1	R0240	10,247	8,845										R0240	8,946
N	R0250	10,814											R0250	9,464
												Total	R0260	56,808

The Marine Insurance Company Limited
S.22.01.21
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	63,327	0	0	228	0
Basic own funds	R0020	58,364	0	0	-1	0
Eligible own funds to meet Solvency Capital Requirement	R0050	58,364	0	0	-1	0
Solvency Capital Requirement	R0090	3,692	0	0	0	0
Eligible own funds to meet Minimum Capital Requirement	R0100	58,364	0	0	-1	0
Minimum Capital Requirement	R0110	3,332	0	0	0	0

The Marine Insurance Company Limited

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
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)	R0010	16,312	16,312		-	
Share premium account related to ordinary share capital	R0030	6,021	6,021		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	36,031	36,031			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	58,364	58,364	-	-	-

The Marine Insurance Company Limited

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£'000	£'000	£'000	£'000	£'000
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	58,364	58,364	-	-	-
Total available own funds to meet the MCR	R0510	58,364	58,364	-	-	
Total eligible own funds to meet the SCR	R0540	58,364	58,364	-	-	-
Total eligible own funds to meet the MCR	R0550	58,364	58,364	-	-	
SCR	R0580	3,692				
MCR	R0600	3,332				
Ratio of Eligible own funds to SCR	R0620	1,580.86%				
Ratio of Eligible own funds to MCR	R0640	1,751.55%				

		C0060
		£'000
Reconciliation reserve		
Excess of assets over liabilities	R0700	58,364
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	22,333
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	36,031
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	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
5151ZA	Other Underwriting Risk - Expectation	87
5151ZB	Other Underwriting Risk - Movement from Expectation	155
502IZA	Other Reserving Risks - Expectation	(288)
502IZB	Other Reserving Risks - Movement from Expectation	109
10300A	Market Risk: interest rate risk - Expectation	54
10300B	Market Risk: interest rate risk - Movement from Expectation	331
10900A	Market Risk: Group Currency Risk - Expectation	(125)
10900B	Market Risk: Group Currency Risk - Movement from Expectation	2,501
19900I	Diversification within Market Risk	(317)
20100A	Credit Risk - Expectation	29
20100B	Credit Risk - Movement from Expectation	(29)
70100B	Operational Risk - Movement from Expectation	1,400
80140A	Other Eisks: Tax - Expectation	95
80140B	Other Risks: Tax - Movement from Expectation	(95)

Calculation of Solvency Capital Requirement		C0100
		£'000
Total undiversified components	R0110	3,907
Diversification	R0060	(215)
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	3,692
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	3,692
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity ot 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	-

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

		C0010
		£'000
MCR_{NL} Result	R0010	1

		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	-	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	-	-
General liability insurance and proportional reinsurance	R0090	6	-
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	-	-
Non-proportional property reinsurance	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

		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	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	-	
Other life (re)insurance and health (re)insurance obligations	R0240	-	
Total capital at risk for all life (re)insurance obligations	R0250		-

Overall MCR calculation

		C0070
		£'000
Linear MCR	R0300	1
SCR	R0310	3,692
MCR cap	R0320	1,661
MCR floor	R0330	923
Combined MCR	R0340	923
Absolute floor of the MCR	R0350	3,332
Minimum Capital Requirement	R0400	3,332