

Registered Number: 00010150

THE SEA INSURANCE COMPANY LIMITED

Annual Report and Accounts for the year ended 31 December 2011

WEDNESDAY



L11A509T

LD5

26/09/2012

#77

COMPANIES HOUSE

THE SEA INSURANCE COMPANY LIMITED

Contents

Company information	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	5
Profit & loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the accounts	9

THE SEA INSURANCE COMPANY LIMITED

Company information

Directors

R J Clayton

J M Mills

Non-Destructive Testers Limited

Secretary

Roysun Limited

Registered office

St Mark's Court
Chart Way
Horsham
West Sussex
RH12 1XL

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

THE SEA INSURANCE COMPANY LIMITED

Directors' report

for the year ended 31 December 2011

The directors present their annual report on the affairs of the Company and the audited financial statements for the year ended 31 December 2011

Business review, principal activity and Future outlook

The principal activity of the Company is the transaction of general insurance business through branches in E U member states

The Company held a share in an investment pool during the year

As part of the RSA Insurance Group's (the Group's) response to the anticipated implementation of the Solvency II Directive and to deliver significant operational efficiencies, the Company undertook an insurance business transfer under Part VII of the Financial Services and Markets Act 2000 whereby all of the business was transferred from the Company to other Group company, Sun Insurance Office Limited, with effect from 1 January 2012. The Company was deauthorised by the Financial Services Authority on 1 January 2012. The Company will no longer hold a share in the investment pool.

Accordingly, the financial statements have been drawn up on a basis other than that of a going concern.

The results for the Company show a profit on ordinary activities before tax of £1,247,000 (2010 loss of £729,000) for the year and gross premiums written of £6,912,000 (2010 £8,861,000). The shareholder funds of the Company were £11,464,000 as at 31 December 2011 (31 December 2010 £10,555,000).

There is no current intention to wind up the company.

Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2011 (2010 *£nil*).

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of the Group. The principal risks and uncertainties of the Group, which include those of the UK business, and hence the Company until its deauthorisation by the Financial Services Authority on 1 January 2012 and the subsequent transfer of its share in the investment pool to another Group company on the same date, are set out in the estimation techniques, risks, uncertainties and contingencies on pages 89 to 92, and in the risk framework on pages 30 to 33 of the Annual Report & Accounts of the Group, which do not form part of this report.

A discussion on the management of financial risk is set out below.

Financial risk management

The Company's management of risk is set at Group level. The Group's approach to financial risk, through its management of credit, market and liquidity risks, is set out below.

Credit risk

The primary sources of credit risk within the Group are investment and treasury activities and reinsurance counterparty risk. Within the investment management and treasury activities, a range of bank counterparty concentration and credit quality limits together with other controls are in place to ensure that exposure is managed within the Group risk appetite. New reinsurance cover is placed with reinsurers that are authorised as Approved Reinsurance Counterparties recommended by the Group Reinsurance Credit Committee under criteria approved by the Board Risk Committee.

Market risk

Market risk arises from the Group's investment portfolios. The Global Asset Management Committee is the management committee that oversees the Group's investment strategy under the oversight of the Investment Committee and operating within risk limits set by the Board Risk Committee.

Liquidity risk

Liquidity risk is considered to be a low risk category. Group liquidity is managed by Group Treasury and each operation is required to maintain a minimum level of cash or cash equivalents or highly liquid assets that can be liquidated within a maximum stated period of time. Contingency funding plans are prepared and monitored to ensure that these minimum levels are met even in stress conditions.

Key performance indicators

The directors of RSA Insurance Group plc manage the Group's operations on a divisional basis. For this reason the Company's directors believe that analysis using key performance indicators (KPIs) for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. Further information on financial KPIs is detailed in the Annual Report & Accounts of the Group (which do not form part of this report) within the Group CEO review on pages 10 to 15 and the regional business reviews on pages 18 to 25. The Annual Report & Accounts of the Group also includes non-financial KPIs which are detailed in the regional business reviews on pages 18 to 25, the corporate responsibility report on pages 34 to 37 and the directors' and corporate governance report on pages 44 to 56.

THE SEA INSURANCE COMPANY LIMITED

Directors' report (continued) for the year ended 31 December 2011

Directors

The names of the current directors are listed on page 1. Mr W R B McDonnell was appointed as a director on 16 June 2011. Mr J M Mills and Ms K A Baily were appointed as directors on 9 March 2012. Non-Destructive Testers Limited was appointed as a corporate director on 28 June 2012. Mrs D P Cockrem, Mr I A Craston, Mr M G Culmer, Mr M Harris and Mr W R B McDonnell served as directors until their resignation on 9 March 2012. Ms K A Baily served as a director until her resignation on 13 June 2012. The other director served throughout the year.

The directors' responsibilities statement appears on page 4 and is incorporated by reference into this report.

Auditor

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

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

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

Deloitte LLP have confirmed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed to be reappointed as auditor in the absence of an Annual General Meeting.

By order of the Board



E C Klonardes
For and on behalf of
Roysun Limited
Secretary

21 September 2012

THE SEA INSURANCE COMPANY LIMITED

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the member of The Sea Insurance Company Limited

We have audited the financial statements of The Sea Insurance Company Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made within note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Mark McQueen (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

25 September 2012

THE SEA INSURANCE COMPANY LIMITED

Profit & loss account

for the year ended 31 December 2011

Technical account – general business

	Notes	2011 £000	2010 £000
Gross premiums written	4	6,912	8,861
Outward reinsurance premiums		(1,034)	(1,528)
Premiums written, net of reinsurance		5,878	7,333
Change in the gross provision for unearned premiums		252	139
Change in the provision for unearned premiums, reinsurers' share		(13)	(92)
Earned premiums, net of reinsurance		6,117	7,380
Claims paid			
Gross amount		(6,021)	(6,574)
Reinsurers' share		1,255	1,839
		(4,766)	(4,735)
Change in the provision for claims			
Gross amount		2,127	(1,344)
Reinsurers' share		(839)	(522)
	5	1,288	(1,866)
Claims incurred, net of reinsurance		(3,478)	(6,601)
Acquisition costs	4	(1,668)	(1,600)
Change in deferred acquisition costs		(36)	30
Administrative expenses		(162)	(423)
Reinsurance commissions and profit participation		62	151
Net operating expenses		(1,804)	(1,842)
Balance on the technical account for general business		835	(1,063)

The notes on pages 9 to 15 form an integral part of these accounts

THE SEA INSURANCE COMPANY LIMITED

Profit & loss account (continued) for the year ended 31 December 2011

Non-technical account

	Notes	2011 £000	2010 £000
Balance on the technical account for general business		835	(1,063)
Investment income	9	552	549
Unrealised losses on investments		(140)	(215)
Profit/(loss) on ordinary activities before tax		1,247	(729)
Taxation on profit/(loss) on ordinary activities	10	(343)	211
Profit/(loss) for the financial year		904	(518)

All figures relate to discontinued operations

Statement of total recognised gains and losses for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Profit/(loss) for the financial year		904	(518)
Foreign exchange gains/(losses)		5	(85)
Tax on foreign exchange gains/(losses)		-	21
Total recognised gains and losses	15	909	(582)

The notes on pages 9 to 15 form an integral part of these accounts

THE SEA INSURANCE COMPANY LIMITED**Balance sheet**

as at 31 December 2011

Assets		2011	2010
	Notes	£000	£000
Investments			
Other financial investments	11	11,400	11,016
		11,400	11,016
Reinsurers' share of technical provisions			
Provision for unearned premiums		104	120
Claims outstanding		716	1,563
		820	1,683
Debtors			
Debtors arising out of direct insurance operations - policyholders		2,646	2,729
Debtors arising out of direct insurance operations - intermediaries		489	1,187
Debtors arising out of reinsurance operations		854	614
Amounts owed by group undertakings		198	198
Other debtors	12	614	914
		4,801	5,642
Other assets			
Tangible assets	13	-	4
Cash at bank and in hand		4,408	4,496
		4,408	4,500
Prepayments and accrued income			
Accrued interest and rent		-	2
Deferred acquisition costs		175	215
		175	217
Total assets		21,604	23,058
Liabilities			
	Notes	2011	2010
		£000	£000
Capital and reserves			
Called up share capital	14	6,250	6,250
Share premium account	15	1,145	1,145
Profit and loss account	15	4,069	3,160
Shareholder funds	15	11,464	10,555
Technical provisions			
Provision for unearned premiums		730	998
Claims outstanding		6,548	8,819
		7,278	9,817
Provisions for other risks		126	116
Creditors			
Creditors arising out of direct insurance operations		1,788	1,854
Creditors arising out of reinsurance operations		473	60
Amounts owed to group undertakings		307	541
Other creditors including taxation and social security		168	94
		2,736	2,549
Accruals and deferred income		-	21
Total liabilities		21,604	23,058

The notes on pages 9 to 15 form an integral part of these accounts

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


 R J Clayton
 Director
 21 September 2012

THE SEA INSURANCE COMPANY LIMITED

Notes to the accounts

1 Financial Statements

The financial statements are prepared in accordance with applicable UK accounting standards and in compliance with the Companies Act 2006, and the Statement of Recommended Practice (SORP) on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006)

The financial statements have been prepared under the current value rules, as permitted by Schedule 3 of the Companies Act 2006, on a basis other than that of a going concern

The Company ceased trading, through the transfer of insurance business from the Company by way of a Part VII transfer to another Group Company, with effect from 1 January 2012. Accordingly the financial statements have been drawn up on a basis other than that of a going concern. The directors are satisfied that no change is required to the carrying value of the Company's assets and liabilities as a result of this change in the basis of preparation.

A summary of the major accounting policies, which have been applied consistently throughout the year and the preceding year is set out below.

a) General insurance business

i Underwriting results

The underwriting result is accounted for on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. Premiums written are accounted for in the year in which the contract is entered into and include estimates where the amounts are not determined at the balance sheet date. Premiums written exclude taxes and duties levied on premiums. Commission and other acquisition costs incurred in writing the business are deferred and amortised over the period in which the related premiums are earned.

Claims paid represent all payments made during the period whether arising from events during that or earlier periods.

ii Technical provisions

The provision for unearned premiums represents the proportion of premiums written relating to periods of insurance subsequent to the balance sheet date, calculated principally on a daily pro rata basis.

The provision for claims outstanding, whether reported or not, comprises the estimated cost of claims incurred but not settled at the balance sheet date. It includes related expenses and a deduction for the expected value of salvage and other recoveries. The provision is determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims.

Differences between the estimated cost and subsequent settlement of claims are dealt with in the technical account for the year in which the claims are settled or in which the provisions for claims outstanding are re-estimated.

Provision is made, based on information available at the balance sheet date, for any estimated future underwriting losses relating to unexpired risks after taking into account future investment income that is expected to be earned from the assets backing the provision for unearned premiums (net of deferred acquisition costs). The unexpired risk provision is assessed in aggregate for business classes which, in the opinion of the directors, are managed together. When considering any requirement for a provision for unexpired risks, no account is taken of any new claims events occurring after the balance sheet date other than those that can be expected during the unexpired period of risk at the balance sheet date.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon gross provisions and having due regard to collectability.

iii Reinsurance recoveries

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to the market data on the financial strength of each of the reinsurance companies and taking into account any disputes on, and defects in, contract wordings.

b) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling using the cumulative average rate for the financial year. The resulting exchange differences are included within the profit and loss account.

The results of overseas operations are translated at the average rates for the period and their balance sheets at the rates ruling at the balance sheet date. The resulting exchange differences are taken to reserves.

c) Investment return

Investment return is recognised in the Non-Technical Account and comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses. Dividends on equity investments are recognised on the date at which the investment is priced 'ex dividend'. Interest income is recognised using the effective interest rate method. Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price.

THE SEA INSURANCE COMPANY LIMITED

Notes to the accounts (continued)

1 Financial Statements (continued)

c) *Investment return (continued)*

Movements in unrealised gains and losses on investments represent the difference between their carrying value at the balance sheet date and their purchase price or their carrying value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period

d) *Taxation*

Current tax, based on profits and income for the year, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences (except as set out below) that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. A deferred tax asset is recognised for relief for trading losses or other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in the future

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

e) *Investments*

The beneficial interest in the investment pool is stated at the Company's share of the value of the underlying assets. Movements in carrying value, together with profits and losses arising on disposal of any part of the beneficial interest, are taken to the non-technical account

Other investments are stated in the balance sheet at market values comprising stock exchange values for listed securities and directors' valuations for other investments

f) *Tangible fixed assets*

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost less the estimated residual value of the tangible fixed assets on a straight line basis over their expected useful lives (between three and ten years)

2 Estimation techniques, uncertainties & contingencies

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in respect of the insurance contract liabilities of the company

The insurance contract liabilities of an insurance company include the provision for unearned premiums and unexpired risks and the provision for outstanding claims. Unearned premiums and unexpired risks represent the amount of income set aside by the company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the end of the reporting period. Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred by end of the reporting period but have not yet been finally settled

In addition to the inherent uncertainty of having to make provision for future events, there is also considerable uncertainty as regards the eventual outcome of the claims that have occurred by the end of the reporting period but remain unsettled. This includes claims that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured. As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions

Estimation techniques

Claims and unexpired risks provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the potential longer term significance of large events, the levels of unpaid claims, legislative changes, judicial decisions and economic, political and regulatory conditions

THE SEA INSURANCE COMPANY LIMITED

Notes to the accounts (continued)

2 Estimation techniques, uncertainties & contingencies (continued)

Estimation techniques (continued)

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The Company's estimates of losses and loss expenses are reached after a review of several commonly accepted actuarial projection methodologies and a number of different bases to determine these provisions. These include methods based upon the following:

- the development of previously settled claims, where payments to date are extrapolated for each prior year,
- estimates based upon a projection of claims numbers and average cost,
- notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years, and
- expected loss ratios

In addition, the Company uses other methods such as the Bornhuetter-Ferguson method, which combines features of the above methods. The Company also uses bespoke methods for specialist classes of business. In selecting its best estimate, the Company considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year. The process is designed to select the most appropriate best estimate.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of large claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The claims provisions are subject to close scrutiny both within the Company's business units and at Group Corporate Centre. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for outstanding claims and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of insurance contract liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate. This technique means that the estimate is inevitably deterministic rather than stochastic.

Uncertainties and contingencies

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss,
- uncertainty as to the extent of policy coverage and limits applicable,
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring, and
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations and court judgments that broaden policy coverage beyond the intent of the original insurance, legislative changes and claims handling procedures.

The establishment of insurance contract liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Company's long tail lines of business. The Company seeks to provide appropriate levels of claims provision and provision for unexpired risks taking the known facts and experience into account.

The Company evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposure to levels acceptable to the Company.

3 Exchange rates

The rate of exchange used in these accounts in respect of the major overseas currency is

	2011 Cumulative Average	2011 End of Period	2010 End of Period
Euro	1.15	1.20	1.17

THE SEA INSURANCE COMPANY LIMITED

Notes to the accounts (continued)

4 Segmental information

All business was written in Italy and was within the marine, aviation and transport class

Total commissions for direct insurance business accounted for by the Company during the year amounted to £1,391,000 (2010 £1,565,000)

5 Movement in prior year's provision for claims outstanding

The movement in net incurred claims arising from the difference between the net claims provision at the beginning of the year, and subsequent payments and the claims provision at the end of the year, was £nil (2010 deficit of £1.2m)

6 Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £3,000 (2010 £3,000) which were borne by a parent company, Royal & Sun Alliance Insurance plc. Details of non-audit fees payable to Deloitte LLP are disclosed in the RSA Insurance Group plc 2011 Annual Report & Accounts

7 Directors' emoluments

None of the directors received any emoluments from the Company during the year (2010 £nil). All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company, and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company

8 Employees and staff costs

The Company did not employ anyone during the year (2010 nil). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company (2010 £nil)

9 Investment income, expenses and charges

	2011 £000	2010 £000
Income from other investments	518	540
Gains on the realisation of investments	34	9
	552	549

10 Taxation

The charge/(credit) for taxation in the profit and loss account comprises

	2011 £000	2010 £000
Current tax		
UK corporation tax	356	(224)
Double taxation relief	(356)	-
Overseas taxation	368	(11)
Adjustments in respect of prior periods	-	11
Total current tax	368	(224)
Deferred tax		
Origination and reversal of timing differences	(35)	8
Adjustments for change in tax rates	10	5
Total deferred tax (see note 16)	(25)	13
Tax charge/(credit)	343	(211)

THE SEA INSURANCE COMPANY LIMITED

Notes to the accounts (continued)

10 Taxation (continued)

The UK corporation tax for the current year is based on a rate of 26.5% (2010 28%). The rate of corporation tax has reduced from 28% to 26.5% effective 1 April 2011, and as a result a composite rate of 26.5% has been used in the accounts.

Factors affecting the current tax charge

The current tax charge/(credit) for the year is more than 26.5% (2010 more than 28%) due to the items set out in the reconciliation below.

	2011 £000	2010 £000
Profit/(loss) on ordinary activities before tax	1,247	(729)
Tax at 26.5% (2010 28%)	330	(204)
<i>Factors affecting charge</i>		
Fiscal adjustments	(11)	(12)
Other timing differences	37	(8)
Unrelieved foreign tax credits	12	-
Current tax charge/(credit) for the year	368	(224)

11 Investments

Other financial investments

	2011 £000	2010 £000
Debt securities and other fixed income securities	1	1
Participation in investment pool	11,399	11,015
	11,400	11,016

Listed investments included in the above are as follows:

Participation in investment pool	10,120	10,633
	10,120	10,633

The composition of the investment pool is 32% (2010 69%) British government stocks, 59% (2010 29%) other government and corporate bonds and 9% (2010 2%) deposits with credit institutions.

The historical cost of other financial investments is £10,973,000 (2010 £10,489,000).

12 Other debtors

	2011 £000	2010 £000
Deferred tax asset (see note 16)	155	130
Tax recoverable	-	501
Other debtors	459	283
	614	914

THE SEA INSURANCE COMPANY LIMITED

Notes to the accounts (continued)

13 Tangible assets

	Equipment £000
Cost or valuation	
At 1 January 2011	15
At 31 December 2011	15
Depreciation	
At 1 January 2011	(11)
Charge for the period	(4)
At 31 December 2011	(15)
Net book value	
At 31 December 2011	-
At 31 December 2010	4

14 Share capital

	2011 £000	2010 £000
Allotted, issued and fully paid up		
25,000,000 (2010 25,000,000) ordinary shares of 25p each	6,250	6,250
	6,250	6,250

15 Movements in shareholder funds

	Share capital £000	Share premium £000	Profit & loss account £000	2011 £000	2010 £000
Shareholder funds at 1 January	6,250	1,145	3,160	10,555	11,137
Total recognised gains and losses	-	-	909	909	(582)
Shareholder funds at 31 December	6,250	1,145	4,069	11,464	10,555

16 Deferred tax

Deferred tax for the current year is based on a rate of 25% (2010 27%)

	2011 £000	2010 £000
Accelerated capital allowances	2	2
Other timing differences – bad debts	153	128
Deferred tax asset	155	130
	2011 £000	2010 £000
Deferred tax asset at 1 January	130	143
Deferred tax credit/(charge) for the year	25	(8)
Effect of change of rate on opening balances	-	(5)
Deferred tax asset at 31 December	155	130

At the balance sheet date, the company has unused tax credits of £12,391 (2010 £nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax credit of £12,391 (2010 £nil) due to the unpredictability of future profit streams. The unused credit may be carried forward indefinitely.

THE SEA INSURANCE COMPANY LIMITED

Notes to the accounts (continued)

17 Cash flow statement

The Company is a wholly-owned subsidiary of RSA Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of RSA Insurance Group plc. The Company has thus taken advantage of the exemption permitted by FRS 1 (revised 1996) 'Cash flow Statements' and has elected not to prepare its own cash flow statement.

18 Related party transactions

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures' from disclosing details of transactions with RSA Insurance Group plc and its subsidiaries and associated undertakings. There were no other related party transactions requiring disclosure.

19 Parent companies

The Company's immediate parent company is The London Assurance, which is registered in England and Wales.

The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 9th Floor, One Plantation Place, 30 Fenchurch Street, London, EC3M 3BD.

20 Post balance sheet event

On 1 January 2012, following approvals by a UK court, the Company completed the transfer of any remaining rights and obligations under insurance contracts of other RSA Insurance Group companies, together with other related assets and liabilities.

The Company was deauthorised by the Financial Services Authority on 1 January 2012.

The investment pool were wound up following the period end. The financial effect of this event is that balance sheet assets of £11,399,000 were transferred to another Group Company.