Registered Number: 00014809

The Marine Insurance Company Limited

Annual Report and Accounts

for the year ended 31 December 2018

Contents

The Marine Insurance Company Limited

Company Information

Directors

Mr A Buckle (Appointed 27th June 2018)

Mr N P Williams

Mr S Egan

Mr S Lewis (Resigned 5th February 2019)

Mr W R B McDonnell

Secretary

Roysun Limited

Registered Office

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

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Strategic report

For the year ended 31 December 2018

The Marine Insurance Company Limited (the 'Company') is a part of RSA Insurance Group plc (the 'Group'). The Company is the Group's vehicle for writing specialty insurance business, including marine, transport, construction, engineering and renewable energy and wholesale international property United States surplus lines risks. The directors of the Company have concluded that the Group approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity.

The directors present their annual report on the affairs of the Company and the audited financial statements for the year ended 31 December 2018.

Business review and principal activities

The principal activity of the Company is the writing of direct marine, aviation; transport and renewable energy insurance business in the United States. In 2018 the Company also started to write wholesale international property insurance business.

The results for the Company show a profit on ordinary activities before tax of £3,190,000 (2017: £3,995,000) for the year and gross premiums written of £37,004,000 (2017: £37,699,000). The shareholders' funds of the Company were £52,447,000 as at 31 December 2018 (31 December 2017: £49,704,000).

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

Key performance indicators

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

- Balance on technical account for general business; This measure is calculated by aggregating earned premiums less claims incurred less reinsurance commissions and expenses. The balance on the technical account for general business is £2,432,000 (2017: £3,230,000).
- Regulatory solvency; The Solvency II SCR coverage ratio at the end of 2018 is approximately 6 times based on the Groups approved Internal Model.

The directors of the Group manage the Group's operations on a divisional basis as described in the Annual Report & Accounts of the Group. For this reason the Company's directors believe that analysis using key performance indicators (KPIs) for the UK business in aggregate is also relevant to the Company. Further information on KPIs can be found in the Strategic Report of the 2018 Annual Report & Accounts of the Group.

The Annual Report & Accounts of the Group are available on RSA's website at www.rsagroup.com.

Future outlook

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

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of the Group. The principal risks and uncertainties of the Group, which include those of the Company, are set out in the Critical judgements and major sources of estimation uncertainty note on pages 19 to 20 and the Risk management note on pages 21 to 25 of the Company's accounts and the Strategic report of the 2018 Annual Report & Accounts of the Group.

Post-Brexit transition

The Company recognises that leaving the European Union could extend economic uncertainties and introduce new challenges, especially if disorderly, in the insurance market.

Brexit continues to generate uncertainty, with potential for economic shocks, capital impacts, claims inflation and supply chain disruption. The Company has planned for a range of potential impacts on customers, compliance, strategy and structure, including those associated with a no-deal Brexit.

In preparing these accounts we have considered the potential impact of a hard Brexit on the assets and liabilities of the Company. The risk is deemed to be very low and was considered as part of the credit risk analysis.

The Company is confident in the Group's preparations and continues to monitor developments to refine its plans, although some impacts cannot be meaningfully anticipated and mitigated at this stage.

Anti-bribery and corruption

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

Anti-bribery and corruption (continued)

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

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

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

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

Human rights

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

By order of the Board

C Smyth
For and on behalf of Roysun Limited
Secretary

Approved by the board of directors on 29 March 2019.

Directors

The names of the directors who held office during the year are listed on page 1.

Directors' responsibilities

The directors' responsibilities statement appears on page 6 and is incorporated by reference into this report.

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

Dividends

No interim dividends were paid during the year (2017: £nil). The directors did not recommend payment of a final dividend in respect of the year ended 31 December 2018 (2017: £nil).

Information included within the Strategic report

Information relating to the financial risk management and the likely future developments of the Company is contained within the Strategic report on pages 2 and 3 and is incorporated into this report by reference.

Political donations

The Company did not make any political donations during the financial year (2017: £nil).

Auditor

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

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

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

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

Essential Contracts and change of control

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

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

Directors' Indemnity

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

Post Balance Sheet Events

There were no post balance sheet events.

Going concern

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

Going Concern (continued)

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

It is therefore concluded that the going concern basis is appropriate for the preparation of the 2018 financial statements.

Signed by order of the Board

C Smyth
For and on behalf of Roysun Limited
Secretary

Approved by the board of directors on 29 March 2019

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

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

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

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

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

Independent auditor's report to the members of The Marine Insurance Company Limited

1 Our opinion is unmodified

We have audited the financial statements of The Marine Insurance Company Limited ("the Company") for the year ended 31 December 2018 which comprise the Balance Sheet, as at 31 December 2018, and the Profit and Loss Account, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were appointed as auditor by the directors on 13 May 2013. The period of total uninterrupted engagement is for the six financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

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

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

<table>
<tr><td colspan="2">Valuation of claims outstanding
(£20.3 million; 2017: £16.2 million)

Recurring risk ◄►

Refer to page 17 & 18 (accounting policy) and page 29 (financial disclosures).</td></tr>
<tr><td>The risk</td><td>Our response</td></tr>
<tr><td>Subjective Valuation:
Valuation of claims outstanding is highly judgmental because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business by territory and line of business. The determination and application of the methodology and performance of the calculations are also complex.

Certain lines of business have greater inherent uncertainty, for example those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts.
These include Marine and Construction portfolios that can result in larger claims over time and Engineering Liability and Professional classes that can be very long tailed and associated reinsurance recoveries in relation to these areas.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. However, considering the reinsurance the Company has, the net effect will not be material.

Completeness and accuracy of data
The valuation of claims outstanding depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating claims outstanding, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of claims outstanding may arise.</td><td>With the assistance of our actuarial specialists, we performed the following procedures:
— Control design and observation: Evaluation of the governance around the overall reserving process. We assessed qualifications and experience of those responsible and examined the output of the reviews to assess the scope and depth of these processes. Our evaluation of the methodologies and key assumptions for the most significant and subjective classes of business enabled us to assess the quality of challenge applied through the Company's reserving process.
— Independent re-performance: Perform alternative estimates of the gross and net reserve balances using our own models on certain classes of business. The determination of which classes to perform alternative estimates was based on risk assessment and consideration of the evidence available from other data analysis procedures.
— Sector experience and Benchmarking: Comparison of assumptions, reserving methodologies and estimates of losses to expectations based on the Company's historical experience, current trends and benchmarking to our own industry knowledge.
— Sensitivity analysis: Evaluation of management's sensitivity analysis over key judgements and assumptions, such as the discount rates for longer tail classes of business.

In addition to the above we performed procedures to assess the completeness and accuracy of data:

— Control design, observation and operation: Evaluation and testing of key controls designed to ensure the integrity of the data used in the actuarial reserving process (including both current and prior year case reserve data). The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems. We tested controls through inspecting the Company's reconciliations.
— Test of detail: Performing reconciliations between the claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to ensure the integrity of the data used in the actuarial reserving process. We also compared samples of claims case reserves, including large loss reserves, to appropriate documentation, such as reports from loss adjusters in order to test the valuation of individual</td></tr>
</table>

	claims reserves. — **Assessing transparency:** Assessing the Company's disclosures relating to claims outstanding, in particular in relation to key and sensitive assumptions. **Our results** — We found the valuation of the claims outstanding to be acceptable (2017 result: acceptable).

IT systems and control environment **Recurring risk ◄►**	
The risk	**Our response**
Processing errors Many financial reporting controls depend on the correct functioning of operational and financial IT systems. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems or inappropriate changes being made to financial data or systems. This is an area of significant risk in our audit due to the complexity of the IT infrastructure, particularly where there are legacy systems which require increased manual inputs, relative to more automated processes.	With the assistance of our own IT audit specialists, our procedures included: — **Controls design and observation:** Assessing the design, implementation and operating effectiveness of general IT controls around system access, change management and computer operations within specific applications pertinent to the financial statements by assessing if appropriate policies are in place and adhered to by inspecting supporting evidence. Where general IT controls are not operating effectively, we addressed the increased risk of financial statement misstatement by extending the scope of our work. This included assessing the operation of controls over changes or transactions being recorded in the systems and testing manual compensating controls, such as reconciliations between systems and other information sources, through re-performance or inspection. **Extended scope:** Where general IT controls and compensating manual controls did not operate to mitigate a risk, we performed additional substantive testing, such as using extended sample sizes and performing data analysis routines over impacted accounts to test the integrity of the transactional level data that is flowing into the financial statements. **Our results** — Our testing identified deficiencies in the design and operation of controls. As a result we expanded the extent of our detailed testing over and above that originally planned, and this work was completed satisfactorily. — (2017 result: Our testing identified deficiencies in the design and operation of controls. As a result we expanded the extent of our detailed testing over and above that originally planned, and this work was completed satisfactorily.)

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

Materiality for the financial statements as a whole was set at £2.5m (2017: £2.3m), determined with reference to a benchmark of Net Assets, of which it represents 4.8% (2017: 4.6%). We believe that net assets is more appropriate benchmark than profit before tax, because the gross written and earned premiums are 100% reinsured and therefore the profit or loss of the Company does not represent the overall activity or size of the entity.
We agreed to report to the Company's Regulated Board any corrected or uncorrected identified misstatements exceeding £0.1m (2017: £0.1m), in addition to other identified misstatements that warranted reporting on qualitative grounds

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

4 We have nothing to report on going concern

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

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

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

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

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

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

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

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

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

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Irregularities – ability to detect

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

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

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

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

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

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

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

Jessica S.S. Katsouris

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
29 March 2019

Profit and Loss Account
for the year ended 31 December 2018

Technical account - general business	Notes	2018 £'000	2017 £'000
Gross premiums written	5	37,004	37,699
Outward reinsurance premiums		(37,004)	(37,699)
Premiums written, net of reinsurance		-	-
Change in the gross provision for unearned premiums		457	(7,185)
Change in the provision for unearned premiums, reinsurers' share		(457)	7,185
Earned premiums, net of reinsurance		-	-
Claims paid			
Gross amount		(26,248)	(22,508)
Reinsurers' share		25,587	21,718
		(661)	(790)
Change in the provision for claims			
Gross amount		(1,452)	1,218
Reinsurers' share		1,452	(1,218)
		-	-
Claims incurred, net of reinsurance		(661)	(790)
Acquisition costs		(7,497)	(7,214)
Administrative expenses		(984)	(1,512)
Reinsurance commissions		11,574	12,746
Net operating expenses		3,093	4,020
Balance on the technical account for general business		2,432	3,230

Profit and Loss account (continued)

For the year ended 31 December 2018

Non technical account	Notes	2018 £'000	2017 £'000
Balance on the technical account for general business		**2,432**	3,230
Investment income		**1,061**	1,042
Realised losses on investments		**(302)**	-
Investment expenses, charges and interest		**-**	(274)
Other (charges)		**(1)**	(3)
Profit on ordinary activities before tax	5	**3,190**	3,995
Taxation on profit on ordinary activities	10	**(396)**	(1,058)
Profit for the financial year		**2,794**	2,937

All figures relate to continuing operations.

Statement of Comprehensive Income

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the financial year	**2,794**	2,937
Items that will be reclassified to profit or loss when specific conditions are met:		
Unrealised (losses) / gains on other financial instruments classified as available for sale net of tax	**(51)**	71
Total other comprehensive (expense) / income for the year	**(51)**	71
Total comprehensive income for the year	**2,743**	3,008

The notes on pages 16 to 30 form an integral part of these accounts.

Statement of changes in equity
for the year ended 31 December 2018

	Called up share capital	Share premium account	Revaluation Reserve	Profit and Loss Account	**Shareholder funds**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 January 2017	**16,312**	**6,021**	**(165)**	**24,528**	**46,696**
Profit for the Financial Year	-	-	-	2,937	**2,937**
Other comprehensive income	-	-	71	-	**71**
Total comprehensive income for the year	**-**	**-**	**71**	**2,937**	**3,008**
Other reserve transfers	-	-	-	-	-
Balance at 1 January 2018	**16,312**	**6,021**	**(94)**	**27,465**	**49,704**
Profit for the Financial Year	-	-	-	2,794	**2,794**
Other comprehensive expense	-	-	(51)	-	**(51)**
Total comprehensive (expense) /income for the year	**-**	**-**	(51)	2,794	**2,743**
Balance at 31 December 2018	**16,312**	**6,021**	**(145)**	**30,259**	**52,447**

The notes on pages 16 to 30 form an integral part of these accounts.

Balance Sheet

as at 31 December 2018

Assets	Notes	2018 £'000	2017 £'000
Other financial investments			
Debt securities and other fixed income securities	11	**33,629**	30,116
Total investments		**33,629**	30,116
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	**24,090**	23,153
Claims outstanding	13	**20,320**	16,187
		44,410	39,340
Debtors			
Debtors arising out of direct insurance operations - intermediaries		**12,535**	15,068
Debtors arising out of reinsurance operations		**428**	328
Amounts owed by group undertakings		**15,036**	13,116
Other debtors (including deferred taxation)	14	**56**	98
		28,055	28,610
Other assets			
Cash at bank and in hand		**404**	1,625
		404	1,625
Prepayments and accrued income			
Accrued interest and rent		**250**	114
Deferred acquisition costs		**5,971**	4,862
		6,221	4,976
Assets held for sale and disposal groups	6	**81,836**	75,719
Total assets		**194,555**	180,386

The notes on pages 16 to 30 form an integral part of these accounts.

Balance Sheet (continued)

as at 31 December 2018

Liabilities	Notes	2018 £'000	2017 £'000
Capital and reserves			
Called up share capital	16	**16,312**	16,312
Share premium account		**6,021**	6,021
Revaluation Reserve		**(145)**	(94)
Profit and loss account		**30,259**	27,465
Shareholders' funds		**52,447**	49,704
Technical provisions			
Provision for unearned premiums		**24,090**	23,153
Claims outstanding		**20,320**	16,216
		44,410	39,369
Creditors			
Creditors arising out of direct insurance operations		**574**	1,606
Creditors arising out of reinsurance operations		**1,707**	861
Amounts owed to group undertakings		**7,213**	7,213
Other creditors (including current taxation)		**397**	1,052
		9,891	10,732
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		**5,971**	4,862
Liabilities for disposal groups	6	**81,836**	75,719
Total liabilities		**194,555**	180,386

The notes on pages 16 to 30 form an integral part of these accounts.

The financial statements were approved on 29 March 2019 by the Board of Directors and are signed on its behalf by:

Director NATHAN WILLIAMS

1. Basis of preparation

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

These financial statements were prepared in accordance with Financial Reporting Standard (FRS 101) Reduced Disclosure Framework and in compliance with the Companies Act 2006.

The Company financial statements are presented in Pound Sterling, which is also the Company's functional currency and rounded to the nearest thousand except where otherwise indicated.

The financial statements have been prepared on the going concern basis.

In considering the appropriateness of the going concern basis, the Board has reviewed the Company's ongoing financial commitments for the next twelve months and beyond. The Board's review included operational and strategic plans and updated forecast, capital position, liquidity and credit facilities and investment portfolio. As a result of this review the directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

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

The exemptions used by the Company are as follows:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures in respect of transactions between two or more wholly owned subsidiaries of the group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Selection of significant accounting policies

The company exercises judgement in selecting each accounting policy. The accounting policies of the Company are selected by the directors to present financial statements that they consider contain the most relevant information.

(i) Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if it is considered highly probable that the carrying amount of the assets and directly associated liabilities will be recovered principally through a sale, rather than through continuing operations. This includes the expectation that the sale will be completed within 12 months of the classification date as held for sale.

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

(ii) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Non-monetary items are carried at historical cost and reported using the exchange rate at the date of the transaction.

~~(iii)~~ Financial Investments

A financial asset is initially recognised on the date the Company commits to purchase the asset at fair value plus, in the case of all financial assets not classified as at fair value through profit and loss, transaction costs that are directly attributable to its acquisition.

A financial asset is derecognised when the rights to receive cashflows from the investment have expired or have been transferred and when the Company has substantially transferred the risks and rewards of ownership of the asset.

On initial recognition, the financial assets may be categorised into the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity financial assets and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

The Company designates investments in equity and debt securities in accordance with its investment strategy on the basis on which the investment return is

managed and the performance is evaluated internally. Where the investment return is managed on the basis of the periodic cashflows arising from the investment, a financial asset is designated as an available for sale financial asset. Where the investment return is managed on the basis of the total return on the investment (including unrealised investment gains), the financial asset is designated as at fair value through profit and loss. Other investments

1.Basis of preparation (continued)

comprising loans, reinsurance deposits and other deposits are classified as loans and receivables.

Financial assets arising from non-investment activities are categorised as loans and receivables.

Investment income is recognised in the profit and loss account. 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. Unrealised gains and losses on available for sale investments are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary items (which are recognised in the profit and loss account). The profit or loss in the period from unrealised gains and losses on assets classified as fair value through profit and loss is calculated as the difference between the current valuation of the asset at the balance sheet date and the cost at the date of acquisition or the last balance sheet date, whichever is the later.

When assets that are classified at fair value through profit and losses are disposed of cumulative unrealised gains and losses recognised in the current and earlier accounting periods in respect of such assets are reversed and the difference between the sale proceeds and the initial purchase price is recognised in the statement of comprehensive income. When assets that are classified as available for sale are disposed of the cumulative unrealised gains and losses included in the revaluation reserve is reversed and the difference between the sale proceeds and amortised cost is recognised in the statement of comprehensive income

On de-recognition of an investment classified as available for sale, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit and loss account.

For available for sale financial assets, where the cumulative changes in fair value recognised in other comprehensive income represent a loss, the individual asset or Company of assets is reviewed to test whether an indication of impairment exists.

For securities whose fair values are readily determined and where there is objective evidence that such an asset is impaired, including for equity investments, a significant or prolonged decline in the fair value below cost, the net loss previously charged to other comprehensive income is reclassified to the non-technical account.

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

For other loans and receivables, where there is evidence that the contracted cashflows will not be received in full, an impairment charge is recognised in the non-technical account to reduce the carrying value of the financial asset to its recoverable amount.

(iv) Estimation of the fair value of Financial assets and liabilities

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

- For fixed maturity securities, fair values are generally based upon quoted market prices. Where market prices are not readily available, fair values are estimated using either values obtained from quoted market prices of comparable securities or estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.
- For cash, deposits with credit institutions, commercial paper, other assets, liabilities and accruals, carrying amounts approximate to fair values.

For future disclosure purposes, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are based on observable market data (unobservable inputs).

(v) Insurance Contracts

Product classification

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

Premium Income

Premiums written are accounted for in the period in which the contract is entered into and include estimates where the amounts are not determined at the end of the reporting period. Premiums written exclude taxes. Duties levied on premiums and directly related expenses, e.g. commissions, are recognised as an expense. Premiums are earned as revenue over the period of the contract and are calculated based on a daily pro rata basis.

Technical provisions

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

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Deferred acquisition costs (DAC) are amortised on the same basis as the related unearned premiums are earned.

1.Basis of preparation (continued)

Claims outstanding comprise the estimated cost of claims incurred but not settled at the end of the reporting period. 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. Claims outstanding relating to long term permanent disability claims are determined using recognised actuarial methods.

Claims outstanding and related reinsurance recoveries are discounted where there is a particularly long period from incident to claims settlement or when nominal interest rates are high and where there exists a suitable claims payment pattern from which to calculate the discount. In defining those claims with a long period from incident to claims settlement, those categories of claims where the average period of settlement is six years or more has been used as a guide. The discount rate used is based upon an investment return expected to be earned by assets, which are appropriate in magnitude and nature to cover the provisions for losses and loss adjustment expenses being discounted, which in practice are bonds and property, during the period necessary for the payment of such claims.

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

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

Reinsurance ceded

Premiums payable in respect of reinsurance ceded are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not determined at the balance sheet date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro-rata basis.

A reinsurance asset (reinsurers' share of claims outstanding) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the provisions for outstanding claims reported under claims outstanding. The amount recoverable from reinsurers is initially valued on the same basis as the underlying provisions for outstanding claims. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Company may not receive all amounts due under the reinsurance contract and the event has a reliably measurable impact on the expected amount that will be recovered from the reinsurer.

The reinsurers' share of each unexpired risk provision is recognised on the same basis.

(vi) Taxation and deferred tax

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

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

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

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

(vii) Cash at bank and in hand

Cash at bank and in hand are short term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash.

Adoption of new and revised standards

IFRS 9 Financial Instruments

The Company qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance. Further information can be found in note 11.

There are also a small number of other narrow scope amendments arising from annual improvements to standards that are applicable to the Company for the first time in 2018, none of which have had a significant impact on these accounts.

2. Critical judgements and major sources of estimation uncertainty.

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

(i) Valuation of claims outstanding

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

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

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

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

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

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

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

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

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

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

3. Risk management and capital management

Introduction

RSA Insurance Group plc, of which the Company is an important part, is managed along divisional lines. The Company writes direct marine, aviation, transport, renewable energy and wholesale international property insurance business in the United States. The directors of the Company have considered whether the Group's approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity. They have concluded that it does. The following discussion sets out the approach of the Group, and hence of the Company, to risk management.

Risk and capital management

As an insurance company, the Company is in the business of actively seeking risk with a view to adding value by managing it. This note summarises the key risks to the Group, and hence the Company and the steps taken to manage them.

The Group's Board of Directors (the 'Board') defines the risk appetite of the organisation. The Group employs a comprehensive Risk Management System that includes a full range of risk policies, procedures, measurement, reporting and monitoring techniques and a series of stress tests and scenario analyses to ensure that the risk exposures that arise from operating the Company's business are managed appropriately.

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

Financial Risk

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

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

Credit Risk

Credit risk is the risk of loss of resulting from the failure of a counterparty to honour its financial or contractual obligations to the Company. The Company's credit risk exposure is largely concentrated in its fixed income investment portfolio.

The Board Risk Committee (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 credit risk the Company 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. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. 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.

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

The Group Reinsurance Credit Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Company. Group standards are set such that reinsurers that have a financial strength rating of less than 'A-' with Standard & Poor's, or a comparable rating, are removed from the Group's authorised list of approved reinsurers unless the Group's internal review discovers exceptional circumstances in favour of the reinsurer. Collateral is taken, where appropriate, to mitigate exposures to acceptable levels.

The credit profile of the Company's assets exposed to credit risk is shown below. The credit rating bands are provided by independent rating agencies. The table below sets out the Company's aggregated credit risk exposure for its financial and insurance assets as at 31 December 2018 and 2017.

3.Credit Risk (continued)

	Credit rating relating to financial assets that are not impaired								
	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not rated**	**Value including held for sale**	**Less: Amounts classified as held for sale**	**Total Financial Assets that are neither past due nor impaired**
As at 31 December 2018	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**-**	**£'000**	**£'000**	**£'000**
Debt securities	**-**	**20,713**	**8,297**	**4,619**	**-**	**-**	**33,629**	**-**	**33,629**
Of which would qualify for SPPI under IFRS 9 (2)	**-**	**20,713**	**8,297**	**4,619**	**-**	**-**	**33,629**	**-**	**33,629**
Other financial assets	**-**	**128**	**67**	**55**	**-**	**-**	**250**	**-**	**250**
Reinsurance assets	**-**	**5,256**	**105,174**	**6,377**	**6,502**	**1**	**123,310**	**(78,900)**	**44,410**
Insurance and reinsurance debtors (1)	**-**	**943**	**709**	**61**	**47**	**12,535**	**14,295**	**(1,332)**	**12,963**
Cash at bank and in hand	**525**	**4**	**3,566**	**510**	**-**	**-**	**4,605**	**(4,201)**	**404**

Notes:

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

	Credit rating relating to financial assets that are not impaired								
	AAA	AA	A	BBB	<BBB	Not rated	Value including held for sale	Less: Amounts classified as held for sale	Total Financial Assets that are neither past due nor impaired
As at 31 December 2017	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	-	24,297	5,059	760	-	-	30,116	-	30,116
Of which would qualify for SPPI under IFRS 9 (2)	-	24,297	5,059	760	-	-	30,116	-	30,116
Other financial assets	-	92	19	3	-	-	114	-	114
Reinsurance assets	-	4,855	95,809	11,330	638	395	113,027	(68,825)	44,202
Insurance and reinsurance debtors (1)	-	13,425	959	2,473	(4)	13,211	30,064	(1,454)	28,610
Cash at bank and in hand	1,019	-	2,253	3,793	-	-	7,065	(5,440)	1,625

Notes:

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

There are no material financial assets that would have been past due or impaired had the terms not been renegotiated.

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired as at 31 December 2018 and 2017, excluding those assets that have been held for sale.

3.Credit Risk (continued)

As at 31 December 2018	Neither past due nor impaired	Financial assets that are past due but not impaired: 0-3 months	3-6 months	6-12 months	Greater than 12 months	Impaired Financial Assets	Balance Sheet carrying value	Impairment losses charged to Income Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	33,629	-	-	-	-	-	33,629	-
Other financial assets	250	-	-	-	-	-	250	-
Reinsurance assets	44,410	-	-	-	-	-	44,410	-
Insurance and reinsurance debtors	12,174	512	105	119	53	-	12,963	-
Cash at bank and in hand	404	-	-	-	-	-	404	-

As at 31 December 2017	Neither past due nor impaired	Financial assets that are past due but not impaired: 0-3 months	3-6 months	6-12 months	Greater than 12 months	Impaired Financial Assets	Balance Sheet carrying value	Impairment losses charged to Income Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities	30,116	-	-	-	-	-	30,116	-
Other financial assets	114	-	-	-	-	-	114	-
Reinsurance assets	39,339	-	-	-	-	-	44,702	-
Insurance and reinsurance debtors	13,504	695	180	74	1,041	-	15,494	-
Cash at bank and in hand	1,625	-	-	-	-	-	1,625	-

Market Risk

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

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

(i) Interest Rate Risk

The fair value of the Company's portfolio of fixed income securities is inversely correlated to changes in the market interest rates. Thus, if interest rates fall, the fair value of the portfolio would tend to rise and vice versa as set out in the sensitivity analysis below.

(ii) Currency Risk

The Company incurs exposure to foreign currency exchange risk in two ways:

- Operational currency risk – by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies)

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

Sensitivity Analysis

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

3.Credit Risk (continued)

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

	10% strengthening in Pounds Sterling against Euro £'000	10% weakening in Pounds Sterling against Euro £'000	10% strengthening in Pounds Sterling against US Dollar[1] £'000	10% weakening in Pounds Sterling against US Dollar[1] £'000
Movement in shareholders' funds as at 31 December 2018	**(10)**	**12**	**1,061**	**(1,167)**
Movement in shareholders' funds as at 31 December 2017	229	(252)	794	(874)

[1] 2017 US Dollar sensitivities have been revised

Liquidity Risk

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

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

Maturity period or contractual repricing

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

As at 2018	**Less than 1 Year £'000**	**1 - 2 Years £'000**	**2 - 3 Years £'000**	**3 - 4 Years £'000**	**4 - 5 Years £'000**	**5 - 10 Years £'000**	**Total £'000**	**Balance Sheet carrying value £'000**
Financial Liabilities								
Amounts owed to Group undertakings	**7,213**	**-**	**-**	**-**	**-**	**-**	**7,213**	**7,213**
Direct insurance creditors	**574**	**-**	**-**	**-**	**-**	**-**	**574**	**574**
Reinsurance Creditors	**1,707**	**-**	**-**	**-**	**-**	**-**	**1,707**	**1,707**
Total	**9,494**	**-**	**-**	**-**	**-**	**-**	**9,494**	**9,494**

As at 2017	Less than 1 Year £'000	1 - 2 Years £'000	2 - 3 Years £'000	3 - 4 Years £'000	4 - 5 Years £'000	5 - 10 Years £'000	Total £'000	Balance Sheet carrying value £'000
Financial Liabilities								
Amounts owed to Group undertakings	7,213	-	-	-	-	-	7,213	7,213
Direct insurance creditors	1,595	-	-	-	-	11	1,606	1,606
Reinsurance creditors	861	-	-	-	-	-	861	861
Total	9,668	-	-	-	-	11	9,679	9,679

Operational Risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in the Group's operations and are typical of any large enterprise. Major sources of operational risk can include operational process reliability, inform security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error, customer service quality, inadequacy of business continuity arrangements, recruitment, training and retention of staff, and social and environmental impacts.

3.Credit Risk (continued)

The Company manages operational risk using a range of techniques and tools to identify monitor and mitigate its operational risk in accordance with Group's risk appetite. These tools include Risk and Control Self Assessments, Key Risk Indicators (e.g. fraud and service indicators), Scenario Analysis and Loss Reporting. In addition, the Group has developed a number of contingency plans including Incident Management and Business Continuity Plans. Quantitative analysis of operational risk exposures material to the Group is used to inform decisions on the overall amount of capital held and the adequacy of contingency arrangements.

Rating environment

The ability of the Company to write certain types of insurance business is dependent on the maintenance of the appropriate credit ratings from the rating agencies. The Company has the objective of maintaining single 'A' ratings. At the present time the ratings are 'A' (stable outlook) from S&P. A worsening in the ratings could have an adverse impact on the ability of the Company to write certain types of general insurance business.

In assessing credit risk in relation to reinsurance and investments, the Company takes into account a variety of factors, including credit rating. If any such rating changes, or is otherwise reassessed, this has potential implications for the related exposures.

Own Risk and Solvency Assessment (ORSA)

The Solvency II directive introduced a requirement for undertakings to conduct an ORSA.

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

- The quantity and quality of the risks which it seeks to assume or to which it is exposed;
- The level of capital required to support those risks
- The actions it will take to achieve and maintain the desired levels of risk and capital.

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

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

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

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

The ORSA is approved by the Board Risk Committee.

Capital Management

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

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

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

Regulatory solvency position during 2018

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

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

3.Credit Risk (continued)

At 31 December 2018, the Company's estimated SCR and corresponding Eligible Own Funds were as follows;

	Estimated (unaudited) 2018 £m	2017 £m
Eligible Own Funds	**51**	48
SCR	**9**	9
Coverage (unrounded)	**558%**	541%

The Solvency and Financial Condition Report as required by Solvency II for the year ended 31 December 2018 will be publicly available in May 2019.

The Company uses a variety of metrics to monitor its capital position including Shareholders' funds, which are £52,447,000 as at 31 December 2018 (2017: £49,704,000).

4. Exchange Rates

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

	2018 Cumulative Average	2018 End of Period	2017 Cumulative Average	2017 End of Period
United States Dollar	**1.33**	**1.27**	1.29	1.35
Euro	**1.13**	**1.11**	1.14	1.13

Other charges in the non-technical account includes £nil of net losses / gains (2017: £3,000 of net losses) on the retranslation of foreign currency items, into the functional currency of the Company.

5. Segmental information

a) By business class

2018	Marine, Aviation and Transport £'000	Renewable Energy £'000	Wholesale International Property £'000	Total £'000
Gross premiums written	**14,006**	**21,140**	**1,858**	**37,004**
Gross earned premiums	**18,548**	**17,695**	**1,218**	**37,461**
Gross claims incurred	**(18,951)**	**(7,770)**	**(979)**	**(27,700)**
Operating expenses[1]	**2,249**	**364**	**480**	**3,093**
Gross technical result	**1,846**	**10,289**	**719**	**12,854**
Reinsurance balance	**108**	**(10,291)**	**(239)**	**(10,422)**
Net technical result	**1,954**	**(2)**	**480**	**2,432**

2017	Marine, Aviation and Transport £'000	Renewable Energy £'000	Wholesale International Property £'000	Total £'000
Gross premiums written	19,357	18,342	-	37,699
Gross earned premiums	13,548	16,966	-	30,514
Gross claims incurred	(20,290)	(1,000)	-	(21,290)
Operating expenses[1]	2,973	1,047	-	4,020
Gross technical result	(3,769)	17,013	-	13,244
Reinsurance balance	6,230	(16,244)	-	(10,014)
Net technical result	2,461	769	-	3,230

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

5. Segmental information (continued)

b) by geographical segment

	2018	2017
Gross premiums written	**£'000**	£'000
United States	**37,004**	37,699
	37,004	37,699

Total commissions for direct insurance business accounted for by the Company during the year, amounted to £5,944,000 (2017: £5,899,000).

6. Held for sale disposal group

On 7 February 2017 the Group announced that contracts had been signed to dispose of UK legacy insurance liabilities to Enstar Group Limited, the majority of which are held in the Company. The transaction initially took the form of a reinsurance agreement, effective at 31 December 2016, which substantially effects economic transfer, to be followed by a completion of a subsequent legal transfer of the business. The UK legacy insurance liabilities remain as held for sale as at 31 December 2018 as regulatory approval is required to complete the subsequent legal transfer of the business; this approval is expected to be obtained in 2019.

	2018	2017
	£'000	£'000
Assets classified as held for sale		
Cash	**4,201**	5,440
Amounts owed to group undertakings	**(2,922)**	(4,222)
Reinsurers' share of claims outstanding	**78,900**	73,047
Other debtors and other assets	**1,657**	1,454
Total assets of disposal groups	**81,836**	75,719
Liabilities directly associated with assets classified as held for sale		
Claims outstanding	**78,900**	73,047
Other creditors and liabilities	**2,936**	2,672
Liabilities of disposal groups	**81,836**	75,719
Total net assets of disposal groups	**-**	-

7. Auditor's remuneration

Fees payable to KPMG LLP for the audit of the Company's accounts for the year ended 31 December 2018 were £45,000 (31 December 2017: £32,500) which were borne by the Company's parent company, Royal & Sun Alliance Insurance plc. Fees payable to KPMG LLP for the provision of non-audit services in relation to NAIC regulatory submission for the year ended 31 December 2018 were £60,000 (31 December 2017: £62,000).

8. Directors' emoluments

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

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

	2018	2017
The aggregate emoluments of the directors, including amounts received from subsidiaries, were as follows:	**£000**	£000
Salaries and bonuses	**2,469**	3,279
Allowances, benefits and other awards	**499**	525
	2,968	3,804

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

8. Directors' emoluments (continued)

	2018	2017
The emoluments of the highest paid director were:	£000	£000
Salary, bonus, allowances, benefits and other awards	932	1,179

No amounts were paid into a pension scheme in respect of the highest paid directors' qualifying services during 2018 (2017: none).

During 2018, no retirement benefits accrued under defined benefit schemes for directors (2017: none). During 2018, contributions of £6,875 (2017: £nil) were made to Group defined contribution schemes during the year in respect of one director (2017: none).

During 2018, one director exercised share options (2017: none) and three directors (2017: five directors) had shares awards vesting under long term incentive schemes in respect of ordinary shares of the Company's ultimate parent company.

9. Employees and staff costs

The Company did not employ anyone during the period (2017: none). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at a cost to the Company of £1,328,000 (2017: £1,512,000).

10. Taxation

	2018	2017
	£'000	£'000
Current tax		
UK corporation tax	585	1,022
Adjustments in respect of prior periods	(190)	36
Total current tax	395	1,058
Deferred tax		
Temporary differences – origin and reversal	1	-
Total deferred tax	1	-
Total tax charge	396	1,058

The UK corporation tax for the current year is based on a rate of 19.0% (2017: 19.2%).

Reconciliation of the total tax charge

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	3,190	3,995
Tax at the UK rate of 19.0% (2017 at 19.2%)	606	769
Factors affecting charge:		
Fiscal adjustments	117	69
Adjustment to tax charge in respect of previous periods	(190)	36
Group relief (received) / surrendered without payment	(137)	184
Total tax charge	396	1,058

The current tax credited to other comprehensive income during the year is £4,000 (2017: £6,000). The deferred tax recognised in other comprehensive income is £8,000 (2017: £27,000).

11. Financial Assets

	2018	2017
	£'000	£'000
Government securities	**18,305**	20,058
Corporate bonds	**15,324**	10,058
Available for sale financial assets	**33,629**	30,116
Total assets measured at fair value	**33,629**	30,116

IFRS9 'Financial Instruments'

The Company qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying value of its liabilities within the scope of IFRS 4 and debt instruments included within the regulatory capital being greater than 90 per cent of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

The fair value at 31 December 2018 and change during the year of debt securities that are held to collect cash flows on specified dates that are solely for payment of principle and interest (SPPI) and are not held for trading as defined under IFRS 9, nor are managed or evaluated on a fair value basis, is set out below, together with the same information for all other financial assets:

	SPPI Debt Securities £m	Other Financial Assets £m	Total £m
Fair value at 31 December 2017	30,116	-	30,116
Movement in year	3,513	-	3,513
Fair value at 31 December 2018	33,629	-	33,629

Fair value hierarchy

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

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

A financial instrument is regarded as quoted in an active market (level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

11. Financial Assets (continued)

Available for sale financial assets:-

	Fair Value Hierarchy Level 1 2018 £'000	Level 2 2018 £'000	Level 3 2018 £'000	Total 2018 £'000
Debt securities	**18,305**	**15,324**	**-**	**33,629**
Total	**18,304**	**15,324**	**-**	**33,629**

	Fair Value Hierarchy Level 1 2017 £'000	Level 2 2017 £'000	Level 3 2017 £'000	Total 2017 £'000
Debt securities	22,270	7,846	-	30,116
Total	22,270	7,846	-	30,116

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

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

12. Reinsurer's share of provision for unearned premium

	2018 £'000	2017 £'000
Reinsurer's share of provisions for unearned premiums at 1 January	**23,153**	17,824
Premiums ceded to reinsurers	**37,004**	38,002
Reinsurer's share of premiums earned	**(37,461)**	(30,817)
Changes in reinsurance asset	**(457)**	7,185
Exchange adjustment	**1,394**	(1,856)
Total Reinsurer's share of provision for unearned premiums at 31 December	**24,090**	23,153

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

13. Reinsurer's share of provision for outstanding claims

	2018 £'000	2017 £'000
Reinsurer's share of provisions for losses and loss adjustment expenses at 1 January	**89,234**	99,816
Reinsurer's share of total claims incurred	**27,039**	18,506
Total reinsurance recoveries received	**(25,587)**	(21,699)
Unwind of discount	**1,913**	1,976
Exchange adjustment	**6,621**	(9,365)
Reinsurer's share of provisions for losses and loss adjustment expenses at 31 December	**99,220**	89,234
Less: Assets classified as held for sale	**(78,900)**	(73,047)
Total Reinsurer's share of provisions for losses and loss adjustment expenses at 31 December	**20,320**	16,187

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

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

14. Other Debtors

	2018 £'000	2017 £'000
Deferred Tax (see note 15)	**34**	27
Other Debtors	**22**	71
	56	98

15. Deferred Tax

Deferred tax for the current year is based on a rate of 17% (2017: 17%)

	2018 £'000	2017 £'000
Unrealised investment gains	**30**	20
Tax losses and unused tax credits	**4**	7
Deferred tax asset	**34**	27

	2018 £'000	2017 £'000
At 1 January	**27**	-
Amounts (charged) / credited to the profit and loss account	**(1)**	
Amounts credited to other comprehensive income	**8**	27
Deferred tax asset as at 31 December	**34**	27

16. Share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid		
1,304,945 ordinary shares at £12.50 each (2017: 1,304,945 ordinary shares at £12.50 each)	**16,312**	16,312
	16,312	16,312

17. Parent companies

The Company's immediate parent company is Royal & Sun Alliance Insurance plc, a company incorporated in England and Wales. A copy of that Company's accounts can be obtained from 17th Floor, 20 Fenchurch Street, London EC3M 3AU.

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 17th Floor, 20 Fenchurch Street, London EC3M 3AU.