Registered Number: 00093792

Royal & Sun Alliance Insurance plc

Annual Report and Accounts

for the year ended 31 December 2020

Royal & Sun Alliance Insurance plc

Contents

Company information

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The directors present their annual report on the affairs of Royal & Sun Alliance Insurance plc (the 'Company') and the audited financial statements for the year ended 31 December 2020.

The Company is a member of the RSA Insurance Group plc group of companies (the 'Group' or 'RSA'), headed by RSA Insurance Group plc ('RSAIG'). The Company is a subsidiary of Royal Insurance Holdings Limited. The Group provides the Company with access to all central resources that it needs and provides policies in all key areas including finance, risk, human resources and environment. The Company transacts the majority of the Group's UK business, as described in the Annual Report and Accounts of the Group. The directors of the Company have concluded that the Group approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity.

The Company is authorised by the Prudential Regulation Authority ('PRA') and regulated by the PRA and the Financial Conduct Authority ('FCA').

Principal activity

The principal activity of the Company, its subsidiaries and overseas branches is the transaction of insurance and related financial services in the United Kingdom and overseas. During 2020, the Company had active overseas insurance branches in Dubai International Financial Centre (Dubai, UAE) and Ireland. The subsidiary undertakings of the Company, and its branches, are listed in note 46 of the Accounts.

Business review

The Company reports a profit on ordinary activities before tax of £15m (2019: £525m) for the year, due principally to £90m (2019: £62m) of investment income, net of investment expenses, charges and interest, offset by a loss on the technical account of £(59)m (2019: £(29)m loss). Profit on ordinary activities before tax of £525m in 2019 included £547m of dividend income from subsidiary undertakings net of impairments (2020: £1m).

Gross premiums written were £3,560m (2019: £3,771m). The funds attributable to equity holders of the Company were £8,909m as at 31 December 2020 (31 December 2019: £8,199m).

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

Key performance indicators ('KPIs')

The most relevant KPIs to the financial performance of the Company are as follows:

- Underwriting performance[1]; the Company aims to achieve an underwriting performance that is as sustainably high as possible - that is without uncompetitive pricing or compromising reserves. The Company targets further improvements to its underwriting performance.
- Profit before tax; the Company seeks to maximise its profit before tax, which is a key statutory measure of the earnings of the Company. The Company targets continued growth in its profit before tax as performance actions take further effect.

[1]Underwriting performance for the Company can be measured using the balance on the technical account for general business.

The directors of RSAIG, and the Company, manage the Group's operations on a divisional basis as described in the Annual Report and Accounts of the Group. For this reason, the Company's directors believe that analysis using 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 2020 Annual Report and Accounts of the Group (KPIs for the UK regional review of the Group Strategic Report combines both statutory and alternative performance measures).

Strategic review

Our operations

RSA operates in both Personal and Commercial Lines in the UK. Personal insurance is offered to our customers through MORE TH>N and affinity partners, which include major retailers and large banks. RSA has a strong presence in the motor, home and pet markets and Personal Lines accounts for 46% of our business. Commercial lines forms 54% of our business in the UK, principally serving the UK domestic market as well as operating in the London Market. Commercial lines insurance is offered to our customers through the RSA brand via brokers or directly.

Our customers

We strive to provide tailored products to meet the evolving needs of our consumers by analysing trends and keeping pace with digital developments.

The insurance industry is increasingly focussed on embedding processes to ensure that customer conduct leads to good customer outcomes. The FCA, is increasing its focus on conduct toward customers, especially with regard to treatment of vulnerable customers and pricing within General Insurance. Our Customer Policy outlines steps our business must take to ensure that all customers are treated fairly, that products and service continue to meet their needs, and that we monitor customer outcomes to understand our performance.

Exit portfolios

The technical account loss from these portfolios was £37m (2019: £47m loss) for the period. Net written premiums were negligible (2019: £10m), while net earned premiums were £11m (2019: £77m) reflecting the ongoing run-off of exposures. The portfolios have materially run-off with de minimis premiums left to earn in 2021.

Covid-19: our response

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

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

Our strategy

Our aim is to further improve the underwriting result of the UK Business. We will achieve this by stabilising and then strengthening our Commercial Lines business, growing our direct channel in Personal Lines and continuing to improve our productivity. We are therefore focused on simplifying our business, equipping it with the tools and digital capabilities required to serve customers efficiently and well, and building a culture that values high performance and develops talent.

Outlook

Digital investment to support Personal Lines growth and continued portfolio actions to reshape our Commercial Lines business will help us to achieve consistent and sustainable profits in competitive markets.

Post-Brexit transition

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

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

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

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

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of the Group. The principal risks and uncertainties of the Group, which include those of the Company, are set out in the Risk management note on pages 31 to 37 of the Company's Accounts and the Strategic report of the 2020 Annual Report and Accounts of the Group.

Employment policy

RSA's vision is to create an inclusive workplace where everyone can bring their best selves to work. RSA does this by building diversity across all levels of the organisation and creating an inclusive culture which attracts, encourages and is strengthened by diverse perspectives, establishing the best foundation to serve its customers.

The Company is committed to the promotion of equal opportunities for all employees and the only acceptable form of discrimination is on the basis of an individual's ability to do the job. The Company aims to ensure that no employee or job applicant or leaver receives less favourable treatment on the grounds of sex, sexual orientation, gender re-assignment, marital status, race - including colour and nationality, disability, religion and belief, age or pregnancy and maternity.

Equal Opportunities and Dignity at Work policies support these commitments and the Company welcomes applications from all sections of the community. The Company has a close working relationship with trade unions and employee associations in all parts of the business where they exist and consults with employees and representatives on relevant matters taking their views into consideration. There is also a European Works Council ('EWC') which consults with employee representatives on transnational matters across UK, Ireland, Sweden, Norway, Denmark, France, Spain, the Netherlands, Belgium and Germany. The annual meeting of the EWC, scheduled to take place in March 2020, was cancelled due to the Covid-19 pandemic. Regular consultations with employee representatives took place throughout the year.

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 the business and this standard, led by the Board and Group Executive, applies globally.

The Anti-Corruption, Conflicts of Interest, Gifts and Hospitality policies apply Group-wide and are supported by extensive resources and guidance, including an 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 expectations. Anti-Corruption processes are subject to review by internal audit.

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

The Company strongly encourages our people to speak out if they have concerns about Anti-Bribery and Corruption. An 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 the anti-corruption controls at least annually. Where a breach is material or not in compliance with regulations, it will be reported externally.

Human rights

As signatories of the UN Global Compact, the Company is committed to protecting human rights and eliminating discrimination, and the 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 its 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.

Greenhouse gas emissions

Information on the Company's greenhouse gas emission reporting can be found in the 2020 Annual Report and Accounts of the Group.

Section 172 Companies Act 2006

The Board recognises the importance of positive relationships between the Company, its ultimate shareholder and other stakeholders, and is committed to fostering and maintaining strong engagement with them. Open and collaborative dialogue and interaction is in the best interests of the Company and helps us to make a positive contribution to society. Section 172 of the Companies Act 2006 requires directors, in making their decisions and choices, to have regard to a non-exhaustive list of factors to ensure that, in promoting the success of the Company for the benefit of its shareholders, broader implications of decisions are considered.

In 2020, the directors and senior management engaged with key stakeholder groups across the business. These engagements were adapted as external and internal demands on our business evolved, particularly in light of Covid-19 restrictions on operations and travel.

The below table sets out some highlights from the Board's engagement with key stakeholders during 2020, together with details of the actions taken as a result of the engagement.

Stakeholder group and why it is important to engage	**Form of engagement and consideration of interests**	**Outcomes and actions**
Customers Good business starts with our customers and we strive to keep them at the heart of what we do. To ensure that we offer the right products at the right price and on the right terms, we work hard to increase our understanding of our customers' risks and their evolving needs. Customer satisfaction and customer retention is critical to the long-term sustainable prospects of the Company. One of the Company's strategic goals is the ambition of delivering improvements in customer service. While the type of customer we serve ranges from individuals through to large corporations, our ambition to provide support and excellent service remains the same and it is vital that we engage with our customers to ensure that we are meeting their expectations.	The Board receives regular updates on customer and conduct matters, as well as receiving quarterly updates from the UK Customer Committee, which has been established to support good customer outcomes and ensure that decisions are taken with the impact on customers at front of mind. Given the challenges of 2020, the Board ensured that it had visibility of the interim governance set up by management to oversee the hundreds of management decisions that impacted on the way we dealt with customers in response to the Covid-19 pandemic. The directors also receive insight from the Group on feedback from our customers, which suggests that their areas of priority include not only efficient underwriting and responsive customer service, but also corporate responsibility, use of technology, innovation and new and changing areas of risk such as cyber and climate change. In response to Covid-19 and its effect on businesses holding Business Interruption ("BI") policies, the FCA announced its intention to obtain a court declaration on contractual interpretation of certain BI policies in the UK market. The FCA identified a representative sample of 17 policy wordings and invited a subset of 8 insurers, including RSA, to assist by participating in the test case. The Board agreed that it was important to resolve ongoing uncertainty for businesses facing questions around the validity of their BI claims, and therefore determined that it was appropriate for RSA to participate in the test case. Throughout the year, the Board received periodic updates on the test case and associated activity, including in relation to RSA's potential exposure, and following the	Our aim to be a best-in-class insurer means an intense focus on improving customer service and our underwriting and claims technical skills. The Company aims to be proactive, digitally enabled whilst providing tailored products that address evolving customer demands and needs. The regular updates received by the Board have helped ensure the Company promotes and secures positive outcomes for its customers and enabled the Board to focus on all areas which are important to its customers. The Board also acknowledges an increased focus from all stakeholders on corporate responsibility and sustainable business practices. Therefore, the Board has sought to ensure that these are relevant considerations in all Board decisions. The Supreme Court handed down its judgment on 15 January 2021 and the Board welcomes the clarity that this brings for both customers and the insurance industry.

Stakeholder group and why it is important to engage	Form of engagement and consideration of interests	Outcomes and actions
	judgment of the High Court considered in detail whether or not it was appropriate to seek permission (alongside other insurers and the FCA) to appeal the court's findings to the Supreme Court. Given the questions of law of general public importance that were raised by the test case, and taking into account the interests of stakeholders including policyholders, shareholders and regulators in achieving maximum clarity, the Board considered that it was appropriate to seek permission to appeal.	
Shareholders The Company is wholly-owned by Royal Insurance Holdings Limited and part of the RSA Insurance Group plc group of companies. Its ultimate shareholder is RSA Insurance Group plc, a company listed on the London Stock Exchange.	An update on the Company's performance, its governance arrangements and other key aspects of the business is provided at each board meeting of RSA Insurance Group plc. This engagement ensures ongoing two-way dialogue with the ultimate shareholder on business performance and the Company's strategy.	The two-way dialogue with the ultimate shareholder over the course of 2020 was positive, engaging and beneficial with UK financial performance being a key topic of discussion. The directors of the Company and RSA Insurance Group plc are the same, ensuring alignment between the Company and the ultimate shareholder.
Workforce RSA is a people-centred business, with an ambition to perform at best-in-class levels. The Board recognises the key role of the workforce in delivering the strategy and values time spent with these individuals. RSA aims to be a place where fulfilling careers can be built. We can achieve this through success in our business goals and living our People Principles: building a culture of high performance, working together effectively, and sustaining the diverse capabilities we require to succeed. We engage with our workforce to ensure that we are fostering this environment and meeting the needs of our workforce. Although we engage with different members of the workforce in different ways, the Board acknowledges that the entire workforce can be affected by Board decisions and that engagement with all sections of the workforce will ensure that the widest possible range of views are taken into account. Activities in the year provided a meaningful and regular dialogue between the Board and the workforce and allowed for all members of the Board to be involved directly in workforce engagement matters.	During the course of 2020, members of the Board attended 'town hall' meetings remotely so they can hear directly from employees. These 'town hall' meetings are supplemented by internal communications, including emails, internal social collaboration tools and intranet postings, which provide our entire workforce with relevant updates and further information on key issues. The Board has had virtual sessions with its Diversity and Inclusion (D&I) councils and representatives. The sessions were very well received and considered to be a valuable exercise by both the Board and the representative attendees. The UK CEO communicated with the workforce about the recommended offer for RSA. The Board requested information resources, with Q&As for the workforce to be operated by management using content cascaded from the Board. These resources included information about the offer, next steps, the impact on strategy and employees as well as pensions and other employee benefits. We also regularly undertake employee engagement and cultural surveys to gain insight into the opinions of our employees. These surveys address the medium and long-term aspects of employment relationship growth and are therefore targeted at people we directly employ. Other members of our workforce who may be with us on a shorter-term, contingent basis are encouraged to share their views at any time through their line managers or various online feedback tools. The Board reviewed papers relating to D&I with a particular focus on actions relating to race and ethnicity. The Board received an update on the multiple initiatives in place across the regions that aim to make RSA an inclusive workplace, and received feedback on our successes as well as progress against stated targets. The Board also analysed and compared the results of workforce surveys to gauge the sentiment on the effect of Covid-19 on work conditions. The Board learned that continued communication about plans going forward and increased interest in remote working were priorities for our workforce, and about those	Direct engagement with the workforce has been particularly challenging during 2020 due to the Covid-19 pandemic, and the Board has risen to this challenge. The Board had particular focus on the practical implications of Covid-19 for the workforce, including enabling employees to balance their caring responsibilities with work, and making available various well-being initiatives and resources. While we believe that the Board has successfully achieved a meaningful dialogue virtually with employees, we have included even more opportunities for workforce engagement in our Stakeholder Engagement Plan for next year, including non-executive director dialogue with regional D&I councils. The Board has reconfirmed its preference for all Board members to engage in a direct dialogue with the workforce. The Board has reflected on the actions and precautions being taken to accommodate our workforce's priorities and concerns, and has confirmed that management is appropriately considering and protecting the well-being of our people. The Board continues to monitor initiatives and policies in response to challenging business conditions that impact our people and, consistent with our values, this is approached with sensitivity and support as far as is practicable. D&I updates have allowed the Board to monitor its compliance with the recommendations in several reviews and charters, such as the Women in Finance Charter. The Board has endorsed actions and policies designed to support the increased representation of women in senior leadership roles.

Stakeholder group and why it is important to engage	Form of engagement and consideration of interests	Outcomes and actions
	areas where employees needed continued support. These priorities and the outcome of the regional workforce surveys, including focus areas going forward, were discussed by the Board with managers from the business.	
Regulators and ratings agencies RSA is committed to working with all of its regulators in an open, cooperative and transparent manner. We seek to ensure a strong regulatory compliance culture throughout the Company in order to pre-empt and, where necessary, resolve regulatory issues and to avoid or minimise business impact and surprises. The Board continues to have constructive engagement with our regulators, ensuring that they gain a comprehensive view of the Company's governance priorities and that we understand the issues of interest to them. Given the importance of our creditworthiness to our customers, investors and other stakeholders, the Group also engages on a regular basis with our two key ratings agencies.	The directors engage regularly with the FCA and PRA, and Board members have met directly with the FCA and PRA. The Board receives periodic updates from the business on regulatory matters and priorities, Covid-19 and the offer to buy RSA have been the focus of discussions in 2020. The regulatory capital requirements of the Group and the UK standalone capital measures are also monitored and discussed with the relevant regulators. Senior management interacts regularly with Standard & Poor's and Moody's, our two key rating agencies. Board members are kept informed of the current credit views of debt investors and the rating agencies through regular commentary and financial metric reporting at Board meetings.	We receive positive feedback from our meetings with our regulators. The open and regular dialogue has promoted transparency between the Company and the regulators and ensures that we are in a position to reflect the views of our regulators when setting strategy. The outcomes of our engagement with our regulators influences the priorities and focus for the year set out in the Group's regulatory compliance plan which is considered and approved by the Group Audit Committee.

Pension schemes

RSA is committed to fully supporting the pension schemes, and the Board continues to view the pension trustees as a key stakeholder group. In 2020, the pension trustees were provided with quarterly updates on the Group's performance and offered meetings with other RSA senior executives. The Board also continued to engage with and support the development of investment strategy in the Company's pension schemes (noting that this is ultimately controlled by the trustees).

The Board approved the funding agreements for the Company's two large defined benefit pension schemes, designed to provide a more stable, lower-risk future for the plans themselves and for RSA as sponsor. The Company has committed to pay contributions at this level until the schemes are fully funded on a lower-risk basis. Quarterly business updates are provided to the pension trustees

By order of the Board

Christopher Smyth

C Smyth
For and on behalf of Roysun Limited
Secretary

Approved by the board of directors on 25 February 2021

Directors

The names of the current directors are listed on page 1. From 1 January 2020 to date the following changes have taken place:

Director	Appointed
Clare Bousfield	1 April 2020

Directors' responsibilities

The directors' responsibilities statement appears on page 10 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 declared or paid during the year (2019: £350m). The directors do not recommend payment of a final dividend (2019: £nil).

Information included within the Strategic report

Information relating to overseas subsidiaries and branches of the Company, financial risk management, likely future developments and the Company's employment policy is contained within the Strategic report on pages 2 to 6 and is incorporated into this report by reference.

Political donations

The Company did not make any political donations during the financial year (2019: £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.

KPMG LLP were deemed re-appointed auditors of the Company at its Annual General Meeting on 7 May 2020 and a resolution for their reappointment will be proposed at the 2021 Annual General Meeting.

Directors' indemnity

Article 118 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 have the benefit of Directors' and Officers' insurance which provides cover in respect of legal actions brought against them.

Post balance sheet events

Post balance sheet events are set out in note 45 on page 67 of the Accounts.

Going concern

The Board has made an assessment of going concern covering a period of at least 12 months from the date of approval of these financial statements. The Board's assessment included the review of the Company's strategic plans and updated forecasts, capital position, liquidity including credit facilities and investment portfolio, which are based on the Company continuing to operate on a standalone basis and reflects the Company's assessment of the impact of the current challenging economic environment. The review included significant stress testing, including extreme downside scenarios and a reverse stress test. Scenarios considered include significant deteriorations in market and credit conditions, and severe claims events from catastrophe losses. In making their assessment, the Board have considered the impact of the recent UK Supreme Court decision on business interruption losses, including the availability of reinsurance to recover incurred claims.

The assessment also considered the impact of the offer to buy the Company's ultimate parent undertaking RSA Insurance Group Plc should the deal complete or fall away. If the deal completes the Board expects restructuring of the Group to occur, but considers that the ability of the Company to continue as a going concern will not be adversely affected.

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 twelve months, from both the date of the balance sheet and the approval of the financial statements.

Corporate governance

For the year ended 31 December 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018 and available at www.frc.org.uk). Details of how the Company has complied with the principles and supporting guidance are set out below.

Principle 1 – purpose and leadership

Purpose

The Company's purpose is to protect customers against risk and to serve its shareholder.

Values and culture

The Company's values are embedded throughout the business. They seek to guide employees on what is expected of them whilst they build their career at RSA. The Company aims to be a place where fulfilling careers can be built. We can achieve this through success in our business goals and living our People Principles: building a culture of high performance, working together effectively, and sustaining the diverse capabilities we require to succeed. The Company's values underpin how the Company seeks to deliver for its customers and its other stakeholders. RSA is a people-centred business which aims for a culture of high performance, where working together as a team is valued and the business invests in its people. There are various mechanisms in place to monitor and assess culture, including a cultural mini survey and cultural health update.

The Company seeks to fulfil its purpose, ambition and strategy by consistently building on its core business values: i) strong customer service; ii) great technical know-how; iii) focus and determination; iv) a culture of openness and transparency; and v) the power of teamwork.

Principle 2 – Board composition

The directors of the Company are named on page 1, and their biographies can be found on the Group's website www.rsagroup.com. The Board is composed of the Group Chairman, three executive directors and six independent non-executive directors. The non-executive directors provide independent challenge to the executives. There is a clear division of responsibility between the Chairman, Martin Scicluna and the Group Chief Executive, Stephen Hester.

The Group Nomination and Governance Committee is responsible for reviewing the structure, size and composition of the Board and committees. As the Company's board is composed of the same directors as the RSAIG board, the Group Nomination and Governance Committee identifies and proposes candidates to the Board. It ensures appropriate succession plans are in place for the Board and reviews executive succession planning. Further information can be found in the Annual Report and Accounts of the Group.

The Board recognises the importance of diversity, including gender, social and ethnic backgrounds, and of cognitive and personal strengths. The Board values the breadth of perspective that such diversity can bring and the beneficial effect it can have on the Board's effectiveness. As at the date of this report, the Board is composed of 40% women. The Company will continue to seek out opportunities to further improve diversity and inclusion on the Board and across the Company while always seeking to appoint the most appropriate candidates based on merit.

The Board considers that six members of the Board are independent. The independent directors, led by the chairman, seek to challenge the executive on their execution of the Company's operating plan and strategy. The independent directors ensure there is objective judgement in all Board decisions. The chairman encourages a culture of openness and debate.

Effectiveness

The Board of the Company is composed of the same directors as that of RSAIG. The performance and effectiveness of the Board of RSAIG and its committees was conducted internally, following the externally facilitated review last year. The Board of the Company has chosen to rely on the findings of the performance and effectiveness review of RSAIG. The evaluation was conducted using online surveys completed by the Board and regular management attendees to Board and committee meetings, complemented by individual interviews with each director conducted by the Senior Independent Director and the Company Secretary. Respondents unanimously concurred that the Board had performed well over the year and was operating effectively. with positive dynamics and a well-balanced composition. Further information can be found in the Governance section of the 2020 Annual Report and Accounts of the Group.

Principle 3 – director responsibilities

Accountability

The Board is committed to effective governance, sound risk management and a robust control environment. We consider the foundation of an effective risk management framework to be the cultivation of a risk culture that promotes accountability and openness (a willingness to admit mistakes and learn from the past). At RSA, the senior management team has been instrumental in setting the right 'tone from the top', and we gain insights from culture health reviews and periodic workforce surveys. A key part of our culture is ensuring that our customers are at the heart of all we do, and our staff are passionate about achieving good customer outcomes. We give considerable attention to ensuring our customers are treated fairly.

Committees

In order that it can operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates certain activities to the Group Audit Committee. It also relies on the RSAIG board's committees for relevant matters. The Board shares these committees with the Group Board. Further information on the work of the committees can be found in the Annual Report and Accounts of the Group.

Integrity of information

The Board receives regular and timely information on all aspects of the Company's business. This includes financial performance, strategy, performance against the operational plan, internal audit, risk and compliance, and governance. Internal processes and systems are robust which ensures that management information is accurate and timely. The Company's financial statements are audited by KPMG LLP on an annual basis.

Principle 4 – opportunity and risk

Opportunity

The long-term opportunities for the Company are outlined in the 2020 Annual Report and Accounts of the Group.

Risk

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of the Group. The principal risks and uncertainties of the Group, which include those of the Company, are set out in the Risk management note on pages 31 to 37 of the Company's Accounts and the Strategic report of the 2020 Annual Report and Accounts of the Group.

Responsibilities

Group Internal Audit's (GIA) primary purpose is to 'keep RSA safe and improving'. Specifically, GIA helps the Board and executive management to protect the assets, reputation and sustainability of the Group and the Company. GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the second line of defence to the Board and executive management; assessing whether they are adequately controlled and by challenging executive management to improve the effectiveness of governance, risks management and internal controls.

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

GIA's scope of activities is unrestricted, and its audit universe extends to all legal entities, joint ventures and other business partnerships, outsourcing and reinsurance arrangements. It includes first line of defence control validation and second line of defence assurance activities, and the system of governance as set out under Solvency II.

Principle 5 – remuneration

Setting remuneration

The Group's Remuneration Committee reviews and challenges the Company's remuneration policy and ensures this promotes the long-term sustainable success of the Company. This includes challenging and setting the remuneration of executive directors and the Chairman of the Board. The Committee also reviews workforce remuneration and related policies. It also ensures alignment between incentives and culture, and takes these into account when setting the policy for executive director remuneration. Further information on the work of the Group Remuneration Committee can be found in the 2020 Annual Report and Accounts of the Group.

The Remuneration Committee's remit is defined in its terms of reference which may be found on the Group's website www.rsagroup.com.

Principle 6 – stakeholder relationships and engagement

Information on the Company's stakeholder relationships and engagement can be found in the section 172 statement on pages 4 to 6 of the Company's Strategic report.

Signed by order of the Board

Christopher Smyth

C Smyth
For and on behalf of Roysun Limited
Secretary

Approved by the board of directors on 25 February 2021

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 then apply them consistently;
- make judgements 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report and a Directors' report that complies with that law and those regulations.

Independent auditor's report to the members of Royal & Sun Alliance Insurance plc

1 Our opinion is unmodified

We have audited the financial statements of Royal & Sun Alliance Insurance plc ("the Company") for the year ended 31 December 2020 which comprise the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income and Statement of Changes in Equity, and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:
- give a true and fair view of the state of Company's affairs as at 31 December 2020 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*; and
- 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 audit committee.

We were first appointed as auditor by the directors on 13 May 2013. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2020. 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: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, 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 decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of claims outstanding
Claims outstanding 2020: £4,432 million gross, £3,182 million net; 2019: £4,327 million gross, £3,135 million net, relating to provision for losses and loss adjustment expenses

Risk vs 2019 ▲

Refer to page 27 (accounting policy) and pages 61-64 (financial disclosures)

The risk	Our response
Subjective valuation Valuation of claims outstanding is highly judgmental because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business, by territory and line of business. The determination and application of the methodology and performance of the calculations are also complex. A margin is added to the actuarial best estimate of claims outstanding to make allowance for specific risks and uncertainties that are not specifically allowed for in establishing the actuarial best estimate. The appropriate margin to recognise is a subjective judgment and estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims. 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 and potential exposure to large losses due to the effect of uncertain or unknown future events. This includes UK Professional and Financial Risk classes. Additional uncertainty in the valuation of claims outstanding has arisen as a result of the COVID-19 pandemic and the estimation of resulting claims, particularly for Business Interruption classes and the impact of the FCA Test Case ruling, and reductions in claims frequency experienced for some classes of business. Reinsurance recoveries are inherently linked to gross claims outstanding. The extent of recoveries from the 'Group Volatility Cover' ('GVC') reinsurance contract is a key area of uncertainty due to the judgement applied in determining the value of individual claims eligible for the GVC and aggregation of eligible claims required to trigger a recovery.	With the assistance of our own actuarial specialists including component audit teams, our procedures included: — **Controls design and observation:** We evaluated the governance around the overall Company reserving process. We assessed the qualifications and experience of those responsible and examined the output of the reviews to assess the scope and depth of these processes. We also evaluated key controls designed to ensure the integrity if 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. — **Data comparisons:** We inspected reconciliations between the claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to test the completeness of the data used in the actuarial reserving process. — **Independent re-performance:** We performed independent re-projections of reserve balances using our own models for certain classes of business. The determination of which classes to re-project was based on risk assessment and consideration of the evidence available from other alternative data analysis procedures. — **Our sector experience and benchmarking assumptions:** We ccompared assumptions, reserving methodologies and estimates of losses to expectations based on the Company's historical experience, current trends, externally-derived data and benchmarking against industry trends including information relating to COVID-19 claims that may affect claims settlement speed or amount. — **Sensitivity analysis:** We evaluated sensitivity analysis over key judgments and assumptions, such as large claims and the discount rates for longer tail classes of business. — **Margin evaluation:** We evaluated the appropriateness of the Reserve Committee's recommended margin to be applied to the actuarial best estimate. In order to do this we assessed the Directors' approach to setting the margin. In particular we considered the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate through inquiry with the Directors and with respect to our understanding of any changes in the Company's risks and our own

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, and possibly many times that amount. The financial statements (note 34) disclose the sensitivity estimated by the Company. **Data capture** 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 judgments over key assumptions, is not complete and accurate then material impacts on the valuation of claims outstanding may arise.	sector experience of approaches to setting the margin and the level of margin held by the Company's peers. — **Assessing principles:** We inspected a sample of Business Interruption policy documents, other policyholder and external information to verify assumptions in the modelling of exposure to claims as a result of the FCA Test Case outcome and the Company's legal assessment of the extent of cover. — **Tests of details:** We compared samples of claims case reserves to appropriate documentation, such as reports from loss adjusters in order to test the valuation of individual claims reserves, particularly where such claims may be subject to recovery under reinsurance arrangements, particularly the GVC contract. We also inspected samples of policy documents to verify completeness and accuracy of data in the modelling of exposure to claims as a result of the FCA Test Case outcome and considered the eligibility for recovery under the Company's reinsurance arrangements. — **Assessing transparency:** We considered the adequacy of the Company's disclosures in respect of the sensitivity of claims outstanding to key assumptions. We performed the tests above over the valuation rather than seeking to rely on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the valuation of claims outstanding to be acceptable (2019 result: acceptable).

Valuation of post-employment benefits and obligations
(2020: £8,839 million; 2019: £8,142 million)

Risk vs 2019 ◄►

Refer to pages 28-29 (accounting policy) and pages 41-45 (financial disclosures)

The risk	**Our response**
Subjective valuation Small changes in the assumptions and estimates used, in particular the discount rate, inflation rate and mortality improvements, which are highly sensitive to market and geographic circumstances, can have a significant effect on the valuation of the Company's post-employment obligations and therefore the amount of the post-employment benefits and obligations and the Company's financial position. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of post-employment benefits and obligations 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 and possibly many times that amount. The financial statements (note 15) disclose the sensitivity estimated by the Company.	With the assistance of our own pension actuarial specialists, our procedures included: — **Benchmarking assumptions and our experience:** Comparing the key assumptions such as discount rate, inflation rate and mortality improvements against our independent models using external data and information relating to the pension schemes' liability and demographic profile — **Assessing valuer's credentials:** Evaluating the Company's external valuer's competence, objectivity, capability and scope of work. — **Assessing transparency:** Considering the adequacy of the Company's disclosures in respect of the sensitivity of the defined pension obligation to these assumptions. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the valuation of the post-employment benefits and obligations to be acceptable (2019 result: acceptable).

Valuation of deferred tax assets
(2020: £152 million; 2019: £153 million)

Risk vs 2019 ◄►

Refer to page 28 (accounting policy) and pages 57-59 (financial disclosures)

The risk	**Our response**
Forecast-based assessment The recoverability of the recognised deferred tax asset is dependent on the future profitability of the Company. There is inherent uncertainty involved in developing the operational plan upon which forecast future taxable profits are based and further judgement in in assessing to what extent the deferred tax assets can be recovered against those forecast taxable profits. These forecasts determine the extent to which deferred tax assets are or are not recognised in the financial statements. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of deferred tax assets has a	Our procedures included: — **Historical comparisons:** Assessing the accuracy of the Company's approved operating plan in relation to the forecasting process in the past. We considered whether projected margins are achievable with reference to the business' recent performance and operating plans. — **Our experience:** Assessing the appropriateness of the assumptions in the Company's approved operating plan based on our own knowledge and experience of the business. — **Sensitivity analysis:** Sensitivity analysis of taxable profits to assumptions such as expected weather losses, the development of claims reserves, projected future expense levels, future investment returns, and the projection period used for the forecast taxable profits.

high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 28) disclose the sensitivity estimated by the Company.	— **Our tax expertise:** With the support of our own tax specialists and their knowledge of tax legislation, we also assessed the extent to which projected profits were taxable, in particular the Company's assumptions about how accumulated tax losses and other similar items can be utilized by the Company. — **Assessing transparency:** Assessing the adequacy of the Company's disclosures in respect of the assumptions applied in the calculation and the adequacy of the Company's disclosures in respect of the sensitivity of the valuation of the deferred tax asset to key assumptions. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Having found the estimate to be at the high end of a reasonable range, we exercised judgement to determine the acceptability of the amount recognised, and the clarity of the associated disclosure of the sensitivity of key assumptions. **Our results** As a result of our work we found the level of deferred tax assets recognised to be acceptable (2019 result: acceptable).

We previously reported a key audit matter in relation to the Company's IT systems and control environment, and we continue to perform procedures over this matter. Further to our identification of deficiencies in certain controls in the prior years, we have not sought to place significant reliance on the design and operation of IT controls designed to mitigate the risk of failure to transfer data appropriately or the risk of inappropriate changes being made to data and systems. We have addressed these risks through performing additional substantive testing over and above that which would be required if reliance could be placed on IT controls. As we do not seek to place reliance on these controls, we have not assessed IT controls as one of the areas of most significance in our current year audit and, therefore, it is not separately identified as a key audit matter in our report this year.

We previously reported a key audit matter in relation to the valuation of shares in group undertakings and we continue to perform procedures over this matter. Following the bid offer price received for the RSA Group in November 2020, management has refined the methodology used to calculate the valuation of the shares in group undertakings and there is a clear external market indicator to be used in that calculation. As a result, we have not assessed the valuation of shares in group undertakings as one of the areas of most significance in our current year audit and, therefore, it is not separately identified as a key audit matter in our report this year.

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 £28m (2019: £28m), determined with reference to a benchmark of net earned premiums (of which it represents 1.0% (2019: 0.9%)).

We continue to consider net earned premiums to be the most appropriate benchmark and a fair reflection of revenue from the Company's operations as it is not subject to the volatility arising from multi-year insurance contracts that net written premiums would be, and provides a more stable measure year on year than profit before tax.

Performance materiality for the group was set at 65% (2019: 65%) of materiality for the financial statements as a whole, which equates to £18.2m (2019: £18.2m). We applied this percentage in our determination of performance materiality based on the level of identified control deficiencies during the prior period and the number of areas of significant judgement in the audit.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.0m (2019: £1.0m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Company's four reporting components, we subjected two to full scope audits and performed specified risk-focused audit procedures over the two remaining components.

The components within the scope of our work accounted for the percentages illustrated below:

The components within the scope of our work accounted for the following percentages of the Company's results:					
	Number of components	Net earned premium	Gross claims outstanding	Profits and losses before tax	Total assets
Full scope audits	2	91%	86%	34%	97%
Specified risk-focused audit procedures	2	9%	14%	66%	3%
Total	4	100%	100%	100%	100%

We instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. We approved the component materialities, which ranged from £3.6m to £23.8m, having regard to the mix of size and risk profile of the Group across the components. The audit procedures over the Canada and Ireland components were performed by component auditors and we performed audit procedures over the two UK components.

We visited no component locations during the year due to travel restrictions as a result of the pandemic and instead increased the virtual interactions with component teams. Video and telephone conference meetings were held with the component auditors and local management since they were not physically visited. At these meetings, the findings reported to the us were discussed in more detail, and any further work we required was then performed by the component auditor.

4 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 their 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 their 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").

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

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

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

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

Our procedures also included:

- Consideration of specific scenarios that could reasonably arise in relation to the Covid-19 pandemic or implications of the proposed takeover transaction, and assessing the assumptions applied by management in relation to these scenarios.
- We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable.

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

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that estimated premium is valued incorrectly or recorded in the wrong period and the risk that Company and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as premium adjustments, including premium estimates.

We identified fraud risks related to the valuation of claims outstanding, the valuation of deferred tax assets and the valuation of intangible assets, in response to the level of estimation and judgement in these balances and possible pressures to meet profit targets. Further detail, where applicable, in respect of these areas is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

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

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general

commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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

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, pension legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related 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 the Company's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct regulation 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. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

6 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.

7 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, 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.

8 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 10, 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 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 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.

9 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.

Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

25 February 2021

Royal & Sun Alliance Insurance plc

Profit and Loss Account

for the year ended 31 December 2020

Technical account - General business	Notes	2020 £m	2019 £m
Gross premiums written	6	**3,560**	3,771
Outward reinsurance premiums		**(841)**	(752)
Premiums written, net of reinsurance		**2,719**	3,019
Change in the gross provision for unearned premiums	33	**1**	58
Change in provision for unearned premiums, reinsurers' share	25	**(19)**	(13)
Earned premiums, net of reinsurance		**2,701**	3,064
Other technical income, net of reinsurance	14	**69**	71
Claims paid			
Gross amount		**(2,177)**	(2,945)
Reinsurers' share		**462**	678
		(1,715)	(2,267)
Change in the provision for claims			
Gross amount	34	**(74)**	244
Reinsurers' share	26	**59**	(87)
		(15)	157
Claims incurred, net of reinsurance		**(1,730)**	(2,110)
Acquisition costs		**(811)**	(827)
Change in deferred acquisition costs	30	**(24)**	12
Administrative expenses		**(287)**	(262)
Reinsurance commissions and profit participation		**23**	23
Net operating expenses		**(1,099)**	(1,054)
Balance on the technical account for general business	6	**(59)**	(29)

Royal & Sun Alliance Insurance plc

Profit and Loss Account (continued)

for the year ended 31 December 2020

Non-technical account	Notes	2020 £m	2019 £m
Balance on the technical account for general business		**(59)**	(29)
Dividends from group undertakings	9	**1**	2,955
Investment income	9	**148**	169
Realised (losses)/gains on investments	9	**(1)**	3
Unrealised losses on investments	9	**(16)**	(19)
Investment expenses, charges and interest	9	**(58)**	(107)
Impairment of group undertakings	9	**-**	(2,408)
Foreign exchange gains/(losses)		**4**	(20)
Operating profit		**19**	544
Loss on disposals	7	**(4)**	(19)
Profit on ordinary activities before tax		**15**	525
Tax on profit on ordinary activities	17	**(5)**	(1)
Profit for the financial year		**10**	524

The attached notes on pages 23 to 71 form an integral part of these financial statements.

Royal & Sun Alliance Insurance plc

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Profit for the financial year		**10**	524
Items that will be reclassified to profit or loss when specific conditions are met:			
Foreign exchange losses net of tax		**(1)**	(1)
Unrealised gains/(losses) on other financial instruments classified as available for sale net of tax	9, 28	**735**	(200)
		734	(201)
Items that will not be reclassified to profit or loss:			
Pension – remeasurement of net defined benefit liability net of tax	15, 28	**(34)**	(85)
Movement in property revaluation surplus net of tax	20	**-**	1
		(34)	(84)
Total other comprehensive income/(expense) for the year	32	**700**	(285)
Total comprehensive income for the year		**710**	239

The attached notes on pages 23 to 71 form an integral part of these financial statements.

Royal & Sun Alliance Insurance plc

Statement of Changes in Equity

for the year ended 31 December 2020

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Foreign currency translation reserve £m	Profit and loss account £m	Shareholders' funds £m
Balance at 1 January 2019	1,215	2,954	2,101	39	2,003	8,312
Implementation of IFRS 16	-	-	-	-	(2)	(2)
Restated balance at 1 January 2019	1,215	2,954	2,101	39	2,001	8,310
Profit for the Financial Year	-	-	-	-	524	524
Other comprehensive income (note 32)	-	-	(199)	(1)	(85)	(285)
Total comprehensive income for the year	-	-	(199)	(1)	439	239
Dividends paid (note 18)	-	-	-	-	(350)	(350)
Balance at 1 January 2020	**1,215**	**2,954**	**1,902**	**38**	**2,090**	**8,199**
Profit for the Financial Year	**-**	**-**	**-**	**-**	**10**	**10**
Other comprehensive income (note 32)	**-**	**-**	**735**	**(1)**	**(34)**	**700**
Total comprehensive income for the year	**-**	**-**	**735**	**(1)**	**(24)**	**710**
Dividends paid (note 18)	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2020	**1,215**	**2,954**	**2,637**	**37**	**2,066**	**8,909**

The attached notes on pages 23 to 71 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2020

Assets	Notes	2020 £m	2019 £m
Intangible assets	19	**275**	226
Investments			
Land and buildings	20	**332**	378
Investments in group undertakings and participating interests			
Shares in group undertakings	21	**11,040**	10,391
Other financial investments			
Shares and other variable yield securities and units in unit trusts		**409**	373
Debt securities and other fixed income securities		**3,424**	3,529
Other loans		**257**	195
	22	**4,090**	4,097
Deposits with ceding undertakings		**64**	76
Total investments		**15,526**	14,942
Reinsurers' share of technical provisions			
Provision for unearned premiums	25	**660**	679
Claims outstanding	26	**1,250**	1,192
		1,910	1,871
Debtors			
Debtors arising out of direct insurance operations – policyholders		**348**	370
Debtors arising out of direct insurance operations – intermediaries		**1,168**	1,093
Debtors arising out of reinsurance operations		**187**	202
Amounts owed by group undertakings		**1,146**	1,113
Other debtors (including current taxation)	37	**528**	452
		3,377	3,230
Other assets			
Tangible assets	29	**34**	35
Deferred taxation	28	**152**	153
Cash at bank and in hand		**140**	123
		326	311
Prepayments and accrued Income			
Accrued interest and rent		**33**	38
Deferred acquisition costs	30	**407**	429
Other prepayments and accrued income		**35**	30
		475	497
Total assets		**21,889**	21,077

The attached notes on pages 23 to 71 form an integral part of these financial statements.

Balance Sheet (continued)

as at 31 December 2020

Liabilities	Notes	2020 £m	2019 £m
Capital and reserves			
Called up share capital	31	**1,215**	1,215
Share premium account		**2,954**	2,954
Revaluation reserve		**2,637**	1,902
Foreign currency translation reserve		**37**	38
Profit and loss account		**2,066**	2,090
Shareholders' funds		**8,909**	8,199
Technical provisions			
Provision for unearned premiums	33	**2,129**	2,124
Claims outstanding	34	**4,432**	4,327
		6,561	6,451
Provisions for other risks	35	**57**	42
Creditors			
Creditors arising out of direct insurance operations		**45**	45
Creditors arising out of reinsurance operations		**732**	738
Amounts owed to credit institutions	36	**7**	65
Amounts owed to group undertakings		**5,045**	4,987
Other creditors (including taxation and social security)	38	**332**	338
		6,161	6,173
Accruals and deferred income		**201**	212
Total liabilities		**21,889**	21,077

The attached notes on pages 23 to 71 form an integral part of these financial statements.

The financial statements were approved on 25 February 2021 by the Board of Directors and are signed on its behalf by:

Charlotte Jones

Charlotte Jones
25 February 2021

1. Basis of preparation

The Company is a wholly owned subsidiary of Royal Insurance Holdings Ltd and is incorporated and domiciled in the UK. The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. RSA Insurance Group plc has prepared its consolidated financial statements in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework and in compliance with the Companies Act 2006. The financial statements are prepared on an historical cost basis. Where other bases are applied, these are identified in the relevant accounting policy.

The Board has made an assessment of going concern covering a period of at least 12 months from the date of approval of these financial statements. The Board's assessment included the review of the Company's strategic plans and updated forecasts, capital position, liquidity including credit facilities and investment portfolio, which are based on the Company continuing to operate on a standalone basis and reflects the Company's assessment of the impact of the current challenging economic environment. The review included significant stress testing, including extreme downside scenarios and a reverse stress test. Scenarios considered include significant deteriorations in market and credit conditions, and severe claims events from catastrophe losses. In making their assessment, the Board have considered the impact of the recent UK Supreme Court decision on business interruption losses, including the availability of reinsurance to recover incurred claims.

The assessment also considered the impact of the offer to buy the Company's ultimate parent undertaking RSA Insurance Group Plc should the deal complete or fall away. If the deal completes the Board expects restructuring of the Group to occur, but considers that the ability of the Company to continue as a going concern will not be adversely affected.

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 twelve months, from both the date of the balance sheet and the approval of the financial statements.

The Company's financial statements are presented in pounds sterling (£), and rounded to the nearest million (m) except where otherwise indicated.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The exemptions used by the Company are as follows:

- Cash flow statement and related notes
- The effects of new but not yet effective IFRSs
- Certain disclosures required by IFRS 16 Leases
- Disclosures in respect of the compensation of Key Management Personnel
- Disclosures in respect of transactions between two or more wholly owned subsidiaries of the group
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations

As the consolidated financial statements of RSA Insurance Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill
- Certain disclosures required by IFRS 13 Fair Value Measurement for non-financial instruments

The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of RSA Insurance Group plc, which prepares group financial statements. The Annual Report and Accounts containing these consolidated financial statements can be found at www.rsagroup.com.

2. Adoption of new and revised standards

There are a small number of narrow scope amendments to standards that are applicable to the Company for the first time in 2020, none of which have had a significant impact on the financial statements.

3. Selection of significant accounting policies

The significant accounting policies used in the preparation of these financial statements, as set out below, have been applied consistently to all periods presented.

(i) Translation of foreign currencies

Items included in the financial statements of each of the Company's branches are measured using the currency of the primary economic environment in which the branch operates (the functional currency).

The results and financial position of those Company branches whose functional currency is not Sterling are translated into Sterling as follows:

- Assets and liabilities for each balance sheet presented are translated at closing exchange rates at the end of the period
- Income and expenses for each income statement are translated at average exchange rates during each period
- All resulting exchange differences are recognised in other comprehensive income within the foreign currency translation reserve

When a branch or the business of the branch is sold, the cumulative exchange differences relating to that branch are recognised in the profit and loss account as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency of the Company's business operations using the exchange rates prevailing at the time of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(ii) Intangible assets

Internally developed and externally acquired software

The Company capitalises internal and external acquired software development costs where the software is separately identifiable; the Company has control over the software; and where it can be demonstrated that they provide future economic benefits for the Company through facilitating revenue, reducing costs or improved processes. In respect of internally developed software, the costs capitalised include administrative and other general overhead expenditure when they can be directly attributed to the software development and preparing it for use. Amortisation is calculated on a straight line basis and commences when the asset is available for use in the manner intended by management. The useful economic life of externally acquired and internally generated software is normally estimated to be between three and ten years, and is reviewed on an annual basis.

Other intangible assets

Other intangible assets are valued at cost less accumulated amortisation, and less any accumulated impairment losses.

Other intangible assets mainly comprise other acquired identifiable non-monetary assets without physical form. The useful economic lives are generally estimated to be between one and five years and are amortised on a straight-line basis across this period.

Impairment of intangible assets

Intangible assets not yet available to use are subject to an impairment test on an annual basis or more frequently if there has been an indication of impairment. Other intangible assets, and internally developed and externally acquired software, are reviewed for indications of impairment on an annual basis and are subject to an impairment test only if there is an indication of impairment.

Intangible assets are allocated to cash generating units (CGUs) for the purpose of impairment testing. When testing for impairment, the recoverable amount of a CGU is determined based on value in use calculations. Further information on how value in use is calculated can be found in note 19.

Where the carrying amount is more than the recoverable amount, impairment of intangible assets is recognised in the profit and loss account. Impairment losses previously recognised on intangible assets may be reversed in subsequent periods provided that the revised carrying amount does not exceed the value that would have been determined (net of amortisation) had no impairment loss been recognised.

(iii) Tangible assets

Tangible assets comprise fixtures, fittings and other equipment (including computer hardware and motor vehicles) and are initially recognised at cost.

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset only when it is probable that the expenditure will result directly in future economic benefits to the Company, and the cost can be measured reliably.

Tangible assets are depreciated to their residual values on a straight line basis over the useful economic life of the asset; depreciation is charged to the profit and loss account.

The estimated useful lives of the assets are as follows:

Fixtures and fittings	10 years
Equipment	3-5 years

The useful economic life and residual value are reviewed on an annual basis. Where the carrying value of an asset is deemed to be greater than its recoverable amount, the asset is impaired. Impairment losses on non-revalued assets are recognised in the profit and loss account. Impairment losses on revalued assets are recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses may be subsequently reversed if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are recognised in the profit and loss account except for reversals of impairment losses on revalued assets which are recognised in other comprehensive income similarly to the initially recorded impairment loss.

(iv) Leases

The Company as lessee

A lease liability and right-of-use asset is recognised for all lease obligations the Company has as a lessee, except for the following recognition exemptions that the Company has elected to use: lease contracts that at the commencement date have a lease term of 12 months or less and that do not contain a purchase option; and lease contracts for which the underlying asset is of low value.

The lease liability is recognised at the inception of a lease as the present value of the fixed and certain variable lease payments, plus any guaranteed residual values, any termination penalties if the lease term assumes termination options will be exercised, and the purchase option value if it is reasonably certain that it will be exercised.

Interest is accrued on the lease liability based on the discount rate at commencement of the lease, and is accounted for in investment expenses, charges and interest. The discount rate is the rate implicit in the lease, except where this rate cannot be readily determined, in which case the Company's incremental borrowing rate is used. Subsequent payments are deducted from the lease liability.

The right-of-use asset is initially measured as the value of the lease liability, adjusted for any initial direct costs incurred to obtain the lease, restoration provisions and any lease payments made before the commencement of the lease.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. It is depreciated over the shorter of the useful life or the period of the contract on a straight line basis. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Tangible assets' policy.

The lease liability is subsequently remeasured when there are changes in lease term, in the expectation regarding whether a purchase option would be exercised or not, in any expected residual value guarantee or changes in variable lease payments that are dependent upon an index or rate (from the date that these take effect).

Remeasurements in the lease liability are reflected in the measurement of the corresponding right-of-use asset with reductions being restricted to the carrying value with any remaining remeasurement being recognised in the profit and loss account.

The Company as lessor

Where the Company act as a lessor the lease will be classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership of the underlying asset, or otherwise classified as an operating lease (see 'Investment property' accounting policy).

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables within Other debtors at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables

(v) Land and buildings and rental income

Land and buildings comprise investment property and Company occupied property.

Investment property

Investment property is stated at fair value. The fair value methodology is set out in more detail in note 20. Unrealised gains and unrealised losses are recognised in the profit and loss account. Rental income from operating leases on investment property is recognised in the profit and loss account on a straight line basis over the length of the lease.

Company property

Company occupied property is stated at fair value, less subsequent depreciation for buildings. The fair value methodology is set out in note 20. Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to a separate revaluation reserve within equity. Decreases in the carrying amount arising on revaluation are recognised in other comprehensive income and reduce the revaluation reserve, to the extent they offset previous revaluation increases; further decreases are charged to the profit and loss account. Buildings are depreciated to their residual value on a straight line basis over the useful economic life of the building; depreciation is charged to the profit and loss account except where a building has been revalued upwards, in which case the amount of the depreciation relating to the difference between the building's revalued amount and the original cost is transferred from revaluation reserve to retained earnings. Land is not depreciated.

The estimated useful lives of Company occupied property is normally 30 years.

(vi) Financial instruments

Classification and measurement of financial assets and financial liabilities

The Company initially recognises financial instruments at their fair value on the date at which they are purchased.

At initial measurement, the Company classifies its financial assets and financial liabilities in one of the following categories:

- Designated at fair value through profit and loss (FVTPL)
- Available for sale (AFS)
- Cash and cash equivalents
- Loans and receivables
- Financial liabilities
- Derivative assets/(liabilities) not designated as hedging instruments

Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities that are not FVTPL are added to their fair value in their initial measurement.

The table below summarises the classification and treatment of the Company's financial assets and financial liabilities:

Category	Financial instrument	Description	Subsequent measurement	Recognition of change in fair value
Designated fair value through profit and loss (FVTPL) on initial recognition	Debt securities, equity securities	Where the investment return is managed on the basis of the total return on investment (including unrealised investment gains)	Fair value using prices at the end of the period	Profit & loss account – unrealised gains/(losses); realised gains/(losses) when derecognised
Available for sale (AFS)	Debt securities, equity securities	Where the investment return on equity or debt securities is managed on the basis of the periodic cash flows arising from the investment	Fair value using prices at the end of the period	Other comprehensive income - unrealised gains/(losses) Profit & loss account – realised gains/(losses) when derecognised; Investment expenses, charges and interest when impaired
	Shares in group undertakings	Investments which provide the Company with control of the investee	Fair value using prices at the end of the period	Other comprehensive income - unrealised gains/(losses) Profit & loss account – profit/(loss) on disposal when derecognised; Investment expenses, charges and interest when impaired
Cash at bank and in hand	Cash and cash equivalents	Consist of cash and highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash	Carrying amounts at amortised cost	
Loans and receivables	Loans, reinsurance deposits, other deposits and financial assets arising from non-investment activities, and loans made for investment purposes	Financial assets with fixed or determinable payments not quoted in an active market	Amortised cost using the effective interest method	Profit & loss account – realised gains/(losses) when derecognised; Investment expenses, charges and interest when impaired
Financial liabilities	Other borrowings	Financial liabilities with fixed or determinable payments	Amortised cost using the effective interest method	Profit & loss account – realised gains/(losses) when derecognised
Derivative assets/(liabilities) not designated as hedging instruments	Derivative assets/(liabilities) not designated as hedging instruments	Acquired or incurred principally for the purpose of selling or repurchasing in the near term	Carried at fair value Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative	Profit & loss account – unrealised gains/(losses); realised gains/(losses) when derecognised

Investment income

Dividends on equity investments are recognised as investment income in the profit and loss account on the date at which the investment is priced 'ex dividend'. Interest income is recognised in the profit and loss account using the effective interest rate method.

Impairment of financial instruments

The Company determines, at each reporting date, whether there is evidence that the value of a financial asset or a group of financial assets, other than those measured as FVTPL or derivatives not designated as hedging instruments are impaired. A financial asset is impaired if there is objective evidence that indicates that an event has occurred after the initial recognition of the asset that may have resulted in a loss of value as a result of having a negative effect on the estimated future cash flows generated by that asset which can be estimated reliably.

Financial assets are impaired according to either a debt, equity, or loans and receivables impairment model. The appropriate impairment model is determined based on the characteristics of each instrument.

An impairment loss in respect of debt instruments is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate of the instrument and is recognised in the profit and loss account. Interest on the impaired asset continues to be recognised using the effective interest rate method.

An equity security is considered impaired if there is objective evidence that the cost may not be recovered. In addition to qualitative impairment criteria, a significant or prolonged decline in fair value below cost is considered as indication of potential impairment. Impairment is considered to have occurred when the decline in fair value relative to cost has been more than 30% for a continuous twelve-month period. Unless there is evidence to the contrary, an equity security is also considered impaired when the decline in fair value relative to cost is more than 40% at the end of the reporting period, or when it has been in an unrealised loss position for a continuous fifteen-month period. Where there is objective evidence that impairment exists, the cumulative unrealised loss previously recognised in other comprehensive income is reclassified to the profit and loss 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 profit and loss account. Impairment losses on equity investments are not reversed.

IFRS 9 'Financial Instruments'

IFRS 9 has been issued to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39). IFRS 4 permits an insurance company that meets the criteria a temporary exemption from applying IFRS 9 and to continue to apply IAS 39 for annual periods beginning before 1 January 2023. The exemption has been extended by two years to annual periods beginning before 1 January 2023.

The Company meets the criteria and has elected to defer the application of IFRS 9 to the reporting period beginning on 1 January 2023, alongside IFRS 17.

Information required by IFRS 4 when applying the temporary exemption can be found in note 22 and note 5.

(vii) Insurance Contracts

Product classification

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

Premium income

Premium written is recognised in the period in which the Company is legally bound through a contract to provide insurance cover. It represents the full amount of premiums receivable under the contract, including estimates where the amounts are not known at the date they are written. These are deferred as a provision for unearned premiums until recognised as revenue principally computed on a monthly or daily pro-rata basis. Premiums are shown before deduction of commission and exclude any sales based taxes or duties.

Insurance debtors

Premium debtors due from policyholders or intermediaries at the end of the reporting period are presented within debtors arising out of direct insurance operations (policyholders) and debtors arising out of direct insurance operations (intermediaries) in the balance sheet. 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 insurance contract. Impairment losses for non-recoverable amounts are charged to administrative expenses in the profit and loss account and directly reduce the carrying amount of insurance debtors in the balance sheet.

Technical provisions

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

Claims incurred represent the cost of agreeing and settling insurance claims on insurance contracts underwritten by the Company, net of reinsurance recoveries. Gross claims outstanding are recognised at the estimated ultimate cost, net of expected salvage and subrogation recoveries when a claim is incurred.

Gross claims outstanding and related reinsurance recoveries are discounted where there is a long period from incident to claims settlement or when nominal interest rates are high and where there exists a suitable claims payment pattern from which to calculate the discount. In defining those claims with a long period from incident to claims settlement, an average period settlement of six years or more has been used as a guide. The discount rate used is based upon an investment return expected to be earned by financial assets which are appropriate in value and duration to match the claims outstanding being discounted during the period expected before the final settlement of such claims.

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

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Levies payable are treated as costs of underwriting business. These costs are recognised as deferred acquisition costs (DAC). DAC is amortised on the same basis as the related unearned premiums are earned.

At the end of each reporting period liability tests are performed to ensure the adequacy of the technical provisions by considering the cash flows associated with the provision for unearned premium net of related DAC. In performing these tests, best estimates of future contractual cash flows, including loss adjustment and administrative expenses as well as investment income on financial assets backing such liabilities are used. Any deficiency is charged to the technical account immediately by establishing a provision for liability adequacy known as the unexpired risk provision. The requirement for an unexpired risk provision is assessed in aggregate for business classes which, in the opinion of the directors, are managed together.

Reinsurance ceded

Outward reinsurance premiums payable are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not finalised at the end of the reporting period. The ceded written premiums are recognised in the profit and loss account over the period of the reinsurance contract, based on the expected earning pattern in relation to the underlying insurance contract(s).

Reinsurers' share of technical provisions includes the reinsurers' share of claims outstanding and the provision for unearned premiums. The Company reports third party reinsurance balances in the balance sheet on a gross basis to present the exposure to credit risk related to third party reinsurance. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Company may not receive all amounts due under the reinsurance contract.

Annuities purchased by the Company to make payments under structured settlement arrangements are accounted for as reinsurance ceded and a corresponding reinsurers' share of technical provisions if the Company remains liable for the settlement in the event of default by the annuity provider. Any gain or loss arising on the purchase of an annuity is recognised in the profit and loss account at the date of purchase.

(viii) Other technical income

Other technical income is comprised principally of:

- Administration fee income: is received from policyholders in order for certain changes to their policy or policyholder details within their period of cover and is recognised in full on the date that the change is made
- Premium policy instalment fee income: is received from policyholders as a finance charge on premiums paid in instalments and is recognised over the period that the instalments are made on a straight line basis
- Introductory commission income is received from third parties for introducing business to them and is recognised when the introduction is made
- Service income refers to income received for operating a settlement function primarily for the Company and its Global Network Partners which is recognised over the period in which the relevant business is earned

(ix) 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. Any exceptions permitted under IAS 12 'Income Taxes' are disclosed in the notes. To the extent that deferred tax assets are recognised or derecognised in the period and it is not possible to attribute this directly to either the profit or loss account or OCI, as is the case typically for brought forward tax losses, then these amounts are attributed between the profit and loss account and OCI transactions using a reasonable pro rata split based on historical movements.

Taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to 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 in respect of the unremitted earnings of overseas subsidiaries and principal associated undertakings is recognised as an expense in the year in which the profits arise, except where the remittance of earnings can be controlled and it is probable that remittance will not take place in the foreseeable future, in which case the tax charge is recognised on the dividends received.

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

IFRIC 23 is applied to the recognition and measurement of both current and deferred tax assets and liabilities. In cases where the applicable tax regulation is subject to interpretation, the positions taken in tax returns are recognised in full in the determination of the tax charge in the financial statements, if the Company considers that it is probable that the taxation authority will accept those positions. Otherwise, provisions are established based on management's estimate and judgement of the likely amount of the liability/recovery by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple outcomes.

(x) Employee benefits

Post-employment benefits and obligations

The Company operates both defined benefit and defined contribution pension schemes.

A defined contribution scheme is a pension scheme under which the Company pays fixed contributions and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are charged in the profit and loss account in the period in which the underlying employment services are provided to the Company.

A defined benefit scheme is a pension scheme that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The value of the net defined benefit liability/ asset recognised in the balance sheet for each individual post-employment scheme is calculated as the difference between the present value of the defined benefit obligations of the scheme and the fair value of the scheme assets out of which the obligations are to be settled.

For those schemes in a net liability (deficit) position, the net liability is recognised in the balance sheet in provisions. For those schemes in a net asset (surplus) position, the net asset is recognised in the balance sheet in other debtors and other assets only to the extent that the Company can realise an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the scheme or when the scheme liabilities are settled.

The amounts charged (or credited where relevant) in the profit and loss account relating to post-employment defined benefit schemes are as follows:

- The current service cost: this is the present value of additional benefits payable for employees' services provided during the reporting period;
- The past service costs and gains or losses on settlement: these are changes to the obligations already established for past service costs that have arisen from an amendment to the terms of the scheme or a curtailment of the benefits payable by the scheme. These are recognised at the earlier of when the terms of the scheme are amended or the curtailment occurs or, where applicable, when the Company recognises related restructuring costs or termination benefits;

- Net interest on the net defined benefit liability/asset: this is determined by applying the discount rate applied to the defined benefit obligation for the period to the net defined benefit liability/asset, and results in a net interest expense/income;
- The administration costs of operating the pension schemes.

Remeasurements of the net defined benefit liability/ asset recognised in other comprehensive income comprises actuarial gains and losses as a result of changes in assumptions and experience adjustments in the calculation of the defined benefit obligation, and return on scheme assets excluding interest during the year. The most significant of these is the selection of the discount rate used to calculate the defined benefit obligation, details of which are set out in note 15.

Termination benefits

Termination benefits are payable when either employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefit expenses are recognised in the profit and loss account at the earlier of the date when the Company can no longer withdraw the offer and the date when any related restructuring costs are recognised. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Share based payments

The fair value of the employee share options and other equity settled share based payments is calculated at the grant date and recognised as an expense over the vesting period. The vesting of share awards is dependent on service and performance conditions, as well as market conditions. The assumption of the number of shares expected to vest is revised at the end of each reporting period, with the corresponding credit or charge recognised immediately in the profit and loss account. Where an option is cancelled by an employee, the full value of the option (less any value previously recognised) is recognised at the cancellation date.

(xi) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

(xii) Dividends to shareholders

Dividends payable on the Company's ordinary shares are recognised in equity in the period in which they are declared and authorised.

(xiii) Portfolio transfers

Premium portfolio transfers to other insurance entities are treated as premium cancellations with an accompanying unwind of the provision for unearned premium through the profit and loss account to recognise that the Company is no longer legally on risk for providing cover in future periods and therefore will not earn any future income in respect of the insurance contracts transferred.

Claims portfolio transfers to other insurance entities are treated as settlement of claims outstanding which recognises that the Company has provided consideration under the terms of the transfer as a consequence of which it no longer has a legal obligation to settle claims in respect of the insurance contracts transferred which are de-recognised.

(xiv) Current and non-current distinction

Assets are classified as current when expected to be realised within the Company's normal operating cycle of one year. Liabilities are classified as current when expected to be settled within the Company's normal operating cycle of one year. All other assets and liabilities are classified as non-current.

The Company's balance sheet is not presented using current and non-current classifications. However, the following balances are generally classified as current: cash at bank and in hand, debtors arising out of direct insurance operations (policyholders), debtors arising out of reinsurance operations, deposits with ceding undertakings, creditors arising out of direct insurance operations, amounts owed to group undertakings, accruals and deferred income, accrued interest and rent and amounts owed to credit institutions.

The following balances are generally classified as non-current: intangible assets, tangible assets, investments; shares in group undertakings, land and buildings and deferred taxation.

The remaining balances are of a mixed nature. The non-current portions of such balances are set out in the respective notes, the risk management section or note 43.

4. Critical judgements and major sources of estimation uncertainty

In preparing these financial statements, management has made judgements in determining estimates in accordance with the Company's accounting policies. Estimates are based on management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. In 2020, the Covid-19 global pandemic has had a significant impact on market conditions and our business. Where an estimate has been impacted by Covid-19, additional disclosure has been provided in the relevant note or set out below.

The most significant estimates are described below.

(i) Valuation of claims outstanding

The Company makes judgements when determining the assumptions used in the estimation of the eventual outcome of the claim events that have occurred but remain unsettled at the end of the reporting period. The methodology of measuring claims outstanding is described below. The results of applying this methodology and assumptions applied are set out in note 34.

Covid-19 has increased the level of estimation uncertainty with key assumptions impacted, such as frequency, severity and claims development patterns. There is also increased uncertainty relating to the valuation of Covid-19 business interruption (BI) claims. The initial assessed impact of the UK Supreme Court judgement on 15 January 2021 on BI policy wording has been included in the actuarial indication of ultimate losses. The ultimate liability could be materially different from the current estimate as legal interpretations and regulatory expectations develop and clarify the criteria for eligible claims, further information becomes available with regard to the number of eligible claimants who meet the required claim criteria, and the extent to which losses are recoverable under reinsurance contracts which depends upon the extent to which reinsurance responds in the manner the Company expects.

Provisions for 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 considerable uncertainty with regard to the eventual outcome of the claims that have occurred but remain unsettled by the end of the reporting period. 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 relevant previous claims experience, 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:

- Historic claims development trends are assessed and used to inform extrapolation of the latest payments and reported claims cost for each prior period to their ultimate value
- 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
- The 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 class and accident period or underwriting year. A key assumption that is common to many classes of business is that historic experience is a good guide to what the Company can expect to see in the future. This depends on a variety of things such as consistent claims handling practise and mix of business, which the Company test as part of its analytic process to ensure assumptions are reasonable.

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. Direct Covid-19 claims have been estimated using bespoke techniques that are primarily based upon granular exposure assessments, assumptions on how Covid-19 impacted businesses and societal behaviour, combined with early claims data and insight from the claims, underwriting and legal functions.

The level of provision carried by the Company targets the inclusion of a total margin of around 5% for the Company on top of the actuarial indication outlined above. The appropriateness of the 5% target is subject to regular review as part of the reserving process by the Company.

Claims outstanding estimates are currently subject to heightened uncertainty relative to normal circumstances due to the impact of the Covid-19 pandemic. Materially different outcomes to those the Company assumes are possible. The main areas of heightened uncertainty include:

- The impact which Covid-19 has had on claims experience will take time to develop. Some areas such as business interruption and wedding have observed direct claims, whereas many other lines have seen material indirect changes in policyholder behaviour such as reduced motor frequency during lockdown. Changes in experience such as reduced claims frequency can result in a different mix or magnitude of claims and, therefore, different claims and runoff characteristics compared to historic experience. There have been material changes in the external claims environment in areas such as legal and medical activities which impact the speed of claims development. The distortions in data caused by the various issues means identification of trends is more difficult than normal. Furthermore, it is possible that future economic conditions may give rise to different claims experience than expected. The following assumptions have been made in key areas in order to estimate the ultimate cost of claims:

    - Frequency, based on different levels of reported claim counts observed during the year
    - Severity, based on different average claims costs observed during the year
    - Claims development patterns, taking into account both internal operations and external impacts

- The ultimate cost of Covid-19 BI claims. The estimated impact of the Supreme Court judgement on 15 January 2021 relating to BI policy wording for Covid-19 is included in the actuarial indication of ultimate losses. This judgement corroborated the FCA policy wording review conducted to provide clarity on the treatment of Covid-19 BI claims for selected policy wording. The heightened level of uncertainty persists as claims notifications are assessed and work continues to fully understand the various implications of this ruling. In addition, in estimating the ultimate cost of Covid-19 BI claims a number of key assumptions have been made in relation to:

    - Public behaviour, mobility and interaction prior to lockdown
    - Level of evidence required to demonstrate the existence of Covid-19 on or in the vicinity of the insured premises
    - Legal interpretations and regulatory expectations of the criteria for eligible claims

- Reinsurance recoveries on both the catastrophe and group volatility covers (GVC) are dependent on the identification and timing of events which trigger a reinsurance recovery claim, and for the GVC, the aggregation of all relevant claims against the retention level. The assessment of impact will develop over time as claims notifications are fully understood. Key reinsurance assumptions made include how reinsurance contracts respond to Covid-19 losses, the date of loss that will apply to Covid-19 claims, how losses are attributed by date, and how aggregation applies across different businesses and RSA territories which share common reinsurance treaties. Failure to recover reinsurance in line with our expectations could lead to a material increase in our reported net liability.

(ii) Recognition and valuation of deferred tax assets

The Company makes assumptions to support its judgement around the recognition and valuation of deferred tax assets. This includes an assessment of the availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised. Forecast future taxable profits include the potential impact of Covid-19. The proposed takeover offer to buy RSA has increased the level of uncertainty in forecast profits, however this has not been taken into account when valuing the deferred tax asset at 31 December 2020 as there is no certainty over what actions or decisions the purchaser may take if the acquisition completes. Sensitivities have been used to assess the impact of changes in the key assumptions supporting profit forecasts, and further specific downside scenarios have been modelled in the current year to capture the heightened estimation uncertainty in the established profit forecast due to the current economic environment. Refer to note 28 for additional information.

(iii) Valuation of pension fund assets and liabilities

The Company exercises judgement in making assumptions when valuing pension and other post-employment benefits accrued by its current and former employees. These assumptions include the estimation of the future mortality of its current and former employees, the value of the benefits that have been accrued and the appropriate discount rate used to value the obligations. These assumptions and the sensitivity of these assumptions are disclosed in note 15.

(iv) Valuation of shares in group undertakings

The Company uses estimation techniques when valuing its shares in group undertakings, which are accounted for as available for sale financial assets and are included in the accounts at fair value.

Fair value is calculated by applying various valuation models to the major operating companies. These valuation models apply factors that are widely used to value similar companies in the area of operation of the business. The values calculated are benchmarked against external valuations of the particular business where these are available and have been compared and adjusted based on the fair value of the Company, which reflects the bid for the RSA Group, taking into account the balance due to or from group undertakings.

For non-major operating subsidiaries, the net asset value of the subsidiary, calculated using the Company's accounting policies, is used, with amounts due to or from the subsidiary presented separately in the balance sheet within amounts due to or from group undertakings.

Further information on the valuation of shares in group undertakings can be found in note 21.

(v) Valuation of intangible assets

The Company exercises judgement in making assumptions when valuing the recoverable amount and estimating the useful economic life of intangible assets. The value in use calculation is based on management's latest operational plan which includes the expected future impact of Covid-19. The proposed takeover of RSA has increased the level of uncertainty in forecast profits although possible impacts have not been included within value in use calculations as there is no certainty over what actions or decisions the purchaser may take if the acquisition completes. Due to increased uncertainty caused by Covid-19 and the offer to buy RSA, a range of downside scenarios to the plan have been considered. Refer to note 19 for additional information.

(vi) Valuation of level 3 financial assets and investment properties

Significant unobservable inputs are used by the Company in the valuation of level 3 financial assets and investment properties. The current ongoing economic uncertainty means that asset valuation techniques that rely on unobservable inputs have a greater degree of estimation uncertainty.
Refer to note 23 for additional information.

5. Risk management

Introduction

RSA Insurance Group plc, of which the Company is an important part, is managed along divisional lines. The Company transacts the majority of the Group's UK business. The directors of the Company have considered whether the Group's approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity. They have concluded that it does. The following discussion sets out the approach of the Group, and hence of the Company, to risk management.

The Company is exposed to risks arising from insurance contracts as set out below:

- Underwriting risk
- Reserving risk

Underwriting risk

Underwriting risk refers to the risk that claims arising are higher (or lower) than assumed in pricing due to bad experience including catastrophes, weakness in controls over underwriting or portfolio management, or claims management issues or policy wording interpretation issues.

The majority of underwriting risk to which the Company is exposed is of a short-term nature, and generally does not exceed 12 months. The Company's underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of the type, amount of risk, and geography in order to ensure that the Company minimises the volatility of its insurance result.

Underwriting limits are in place to enforce appropriate risk selection criteria and pricing with all of the Company's underwriters having specific licences that set clear parameters for the business they can underwrite, based on their expertise.

The Company has developed enhanced methods of recording exposures and concentrations of risk and has a centrally managed forum looking at Company underwriting issues, reviewing and agreeing underwriting direction and setting policy and directives where appropriate. The Company has a monthly portfolio management process across all its business units where key risk indicators are tracked to monitor emerging trends, opportunities and risks. This provides greater control of exposures in high risk areas as well as enabling a prompt response to adverse claims development.

Pricing for the Company's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes, trended forward to recognise anticipated changes in claims patterns after making allowance for other costs incurred by the Company, conditions in the insurance market and a profit loading that adequately covers the cost of capital.

Passing elements of our insurance risk to reinsurers is another key strategy employed in managing the Group's and the Company's exposure to insurance risk. The Group Board determines a maximum level of risk to be retained by the Group as a whole. The net retained risk is distributed across the Group in accordance with Group and local risk appetite. The strategy is dependent on being able to secure reinsurance cover on appropriate commercial and contractual terms and the nature of the programme presents risks in that recoveries are contingent on the particular pattern of losses and aggregation across the Group.

The Company remains primarily liable as the direct insurer on all risks reinsured, although the reinsurer is liable to the Company to the extent of the insurance risk it has contractually accepted responsibility for.

Reserving risk

Reserving risk refers to the risk that the Company's estimates of future claim payments will be insufficient.

The Company establishes a provision for losses and loss adjustment expenses for the anticipated costs of all losses that have already occurred but have not yet been paid. Such estimates are made for losses already reported to the Company as well as for the losses that have already occurred but are not yet reported together with a provision for the future costs of handling and settling the outstanding claims.

There is a risk to the Company from the inherent uncertainty in estimating provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. There is also uncertainty in the level of future costs of handling and settling the outstanding claims. This is especially true when there is a material change in circumstances near the end of the reporting period such as the UK Supreme Court judgement on 15 January 2021.
The Company seeks to reduce its reserving risk through the use of experienced actuaries who estimate the actuarial indication of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost. This information is used by local reserving committees to recommend to the Group Reserving Committee the appropriate level of reserves for each region. This will include adding a margin onto the actuarial Indication as a provision for unforeseen developments such as future claims patterns differing from historical experience, future legislative changes and the emergence of latent exposures. The Group Reserving Committee reviews these local submissions and recommends the final level of reserves to be held by the Company. The Group Reserving Committee is chaired by the Group Chief Financial Officer and includes the Group Chief Executive, Group Underwriting Director, Group Chief Actuary and Group Chief Risk Officer. A similar committee has been established in each of the Group's primary operating segments. The Group Reserving Committee monitors the decisions and judgements made by the business units as to the level of reserves to be held.

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

- Emerging trends where Covid-19 has caused changes in experience along with analysis to demonstrate the impact on reserving estimates. Some areas such as business interruption and wedding and events have observed direct claims, whereas many other lines have seen material indirect changes in policyholder behaviour such as reduced motor frequency during lockdown. Changes in experience such as reduced claims frequency can result in a different mix or magnitude of claims and, therefore, exhibit different claims and runoff characteristics compared to historic experience
- Material changes in the external claims environment in areas such as legal and medical activities which impact the speed of claims development have also been considered. The distortions in data caused by the various issues means identification of trends is more difficult than normal and results in increased uncertainty relating to actuarial indications of ultimate losses
- The estimated impact of the Supreme Court judgement on 15 January 2021 relating to BI policy wording for Covid-19 is included in the actuarial indication of ultimate losses. Given the timing, the actuarial indication is based on initial interpretations of the judgement and modelling of expected numbers and value of eligible claims within the insured population. Work to fully understand the various implications will continue in future months as claims profiles mature, and regulatory and legal interpretations develop.
- The actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications. At the end of 2020, these risks and developments include: the possibility of future legislative change having retrospective effect on open claims or changes in interpretation or regulatory application of existing legislation; changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim, such as disease claims, emerging from historical business; general uncertainty in the claims environment; the emergence of latent exposures; the outcome of litigation on claims received; failure to recover reinsurance as we expect and unanticipated changes in claims inflation
- The views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers
- The outcome from independent assurance reviews performed by both external actuarial consultants and the Group actuarial function to assess the reasonableness of actuarial indication estimates
- How previous actuarial indications have developed

The Company is also exposed to other risks not directly arising from insurance contracts as set out below:

Financial risk

Financial risk refers to the risk of financial loss predominantly arising from investment transactions entered into by the Company, and also to a lesser extent arising from insurance contracts, and includes the following risks:

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

The Company undertakes a number of strategies to manage these risks including the use of derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and long term inflation. The Company does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on use of derivatives is approved by the Board Risk Committee (BRC).

Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial or contractual obligations to the Company. The Company ensures that assets are closely matched in duration and currency with insurance liabilities to hedge volatility. The Company's credit risk exposure is largely concentrated in its fixed income investment portfolio favouring high quality fixed income bonds reducing the risk of default. Also to a lesser extent credit risk exists in its premium receivables and reinsurance assets.

Credit risk is managed at both a Group level and at a local level. Local operations are responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. brokers and policyholders). Local credit committees are responsible for ensuring that these exposures are within the risk appetite of the local operations. Exposure monitoring and reporting for fixed income investments and premium receivables is embedded throughout the organisation with aggregate credit positions reported and monitored at Group and local level. In addition, the Group's Credit Ratings Review Committee reviews the credit ratings of investments with a focus on material exposures and unrated investments.

The Company's credit risk appetite and credit risk policy are developed by the BRC and are reviewed and approved by the Board on an annual basis, to ensure limits remain within its quantitative appetite. This is done through the setting of Group policies, procedures and limits. Covid-19 has generated increased levels of market volatility increasing the risk of credit default and downgrade. The Group's and Company's strategy continues to be reviewed in light of Covid-19 developments and the frequency of engagement with the Company's fund managers has been increased.

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

Limits are set at both a portfolio and counterparty level based on likelihood of default, derived from the rating of the counterparty, to ensure that the Group's overall credit profile and specific concentrations are managed and controlled within risk appetite.
The Company's investment management strategy primarily focuses on debt instruments of high credit quality issuers and seeks to limit the overall credit exposure with respect to any one issuer by ensuring limits have been based upon credit quality. Restrictions are placed on each of the Company's investment managers as to the level of exposure to various rating categories including unrated securities.

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

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 to manage this risk, such as reinsurers that have a financial strength rating of less than 'A-' with Standard & Poor's, or a comparable rating, are rarely used and excluded from the Group's list of approved reinsurers. The exceptions are fronting arrangements with captives, where some form of collateral is generally obtained, and some global network partners. At 31 December 2020 the extent of collateral held by the Company against reinsurers' share of insurance contract liabilities was £21m (2019: £19m), which in the event of a default would be called and recognised on the balance sheet.

The Company's use of reinsurance is sufficiently diversified that it is not concentrated on a single reinsurer, or any single reinsurance contract. The Company regularly monitors its aggregate exposures by reinsurer group against predetermined reinsurer Group limits, in accordance with the methodology agreed by the BRC. The Company's largest reinsurance exposures to active reinsurance groups are Berkshire Hathaway Inc., Lloyd's of London and Talanx. At 31 December 2020 the reinsurance asset recoverable from these groups does not exceed 8.6% (2019: 7.8%) of the Company's total financial assets. Stress tests are performed by reinsurer counterparty and the limits are set as such that in a catastrophic event, the exposure to a single reinsurer is estimated to not exceed 6.3% (2019: 6.6%) of the Group's total financial assets at 31 December 2020.

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 tables below set out the Company's aggregated credit risk exposure for its financial and insurance assets:

	Credit rating relating to financial assets that are neither past due nor impaired						
	AAA	AA	A	BBB	<BBB	Not rated	Total financial assets that are neither past due nor impaired
As at 31 December 2020	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Debt securities and other fixed income securities	618	1,027	1,057	705	17	-	3,424
Other loans	3	-	59	177	18	-	257
***Of which would qualify as solely for payment of principal and interest (SPPI) under IFRS 9*[1]**	621	1,008	1,048	753	31	-	3,461
Reinsurers' share of technical provisions	-	468	1,384	24	29	2	1,907
Insurance and reinsurance debtors[2]	-	3	942	28	35	653	1,661
Derivative assets	-	1	18	78	-	-	97
Cash at bank and in hand	-	-	140	-	-	-	140

Notes:
1. The debt securities meeting solely for payment of principal and interest (SPPI) criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value and where loans and receivables are measured using amortised cost their carrying amounts are considered to be as approximate fair values.
2. The insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers that do not have individual credit ratings. Credit risk of this balance is managed through close monitoring of ageing profiles and cover can be cancelled if payment isn't received in accordance with agreed credit terms.

	Credit rating relating to financial assets that are neither past due nor impaired						Total financial assets that are neither past due nor impaired
	AAA	AA	A	BBB	<BBB	Not rated	
As at 31 December 2019	£m	£m	£m	£m	£m	£m	£m
Debt securities and other fixed income securities	644	1,356	951	495	83	-	3,529
Other loans	3	-	29	140	23	-	195
Of which would qualify as SPPI under IFRS 9[1]	647	1,334	913	594	47	-	3,535
Reinsurers' share of technical provisions	-	452	1,326	45	46	2	1,871
Insurance and reinsurance debtors[2]	-	4	944	25	34	621	1,628
Derivative assets	-	10	28	60	-	-	98
Cash at bank and in hand	-	20	103	-	-	-	123

Notes:
1. The debt securities meeting SPPI criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value and where loans and receivables are measured using amortised cost their carrying amounts are considered to be as approximate fair values.
2. The insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers that do not have individual credit ratings. Credit risk of this balance is managed through close monitoring of ageing profiles and cover can be cancelled if payment isn't received in accordance with agreed credit terms

With the exception of government debt securities, the largest aggregate credit exposure does not exceed 2% (2019: 3%) of the Company's total financial assets. The following tables provide information regarding the ageing of financial assets as at 31 December 2020 and 2019:

		Financial assets that are past due but not impaired						
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6-12 months**	**Greater than 12 months**	**Financial assets that have been impaired**	**Balance Sheet carrying value**	**Impairment losses charged to Profit and Loss account**
As at 31 December 2020	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Debt securities and other fixed income securities	**3,424**	-	-	-	-	-	**3,424**	-
Other loans	**257**	-	-	-	-	-	**257**	-
Reinsurer's share of technical provisions	**1,907**	-	-	-	-	**3**	**1,910**	-
Insurance and reinsurance debtors[1]	**1,661**	**20**	**4**	**3**	**2**	**13**	**1,703**	**5**
Derivative assets	**97**	-	-	-	-	-	**97**	-
Cash at bank and in hand	**140**	-	-	-	-	-	**140**	-

[1] Debtors with similar credit risk characteristics are collectively assessed for impairment with provisions being made based on past experience

		Financial assets that are past due but not impaired						
	Neither past due nor impaired	0-3 months	3-6 months	6-12 months	Greater than 12 months	Financial assets that have been impaired	Balance Sheet carrying value	Impairment losses charged to Profit and loss account
As at 31 December 2019	£m	£m	£m	£m	£m	£m	£m	£m
Debt securities and other fixed income securities	3,529	-	-	-	-	-	3,529	-
Other loans	195	-	-	-	-	-	195	-
Reinsurer's share of technical provisions	1,871	-	-	-	-	-	1,871	-
Insurance and reinsurance debtors[1 2]	1,628	15	9	3	1	9	1,665	-
Derivative assets	98	-	-	-	-	-	98	-
Cash at bank and in hand	123	-	-	-	-	-	123	-

[1] Debtors with similar credit risk characteristics are collectively assessed for impairment with provisions being made based on past experience.

[2] Financial assets that have been impaired have been restated from £nil to £9m to reflect amounts that were impaired in 2019 but disclosed within financial assets that are past due but not impaired

Market risk

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations from equity and property prices, interest rates and foreign currency exchange rates. Market risk arises in the Company's operations due to the possibility that fluctuations in the value of liabilities are not offset by fluctuations in the value of investments held. It also arises in relation to the investment in shares in group undertakings with international businesses through foreign currency risk. Market risk is subject to the BRC risk management framework, which is subject to review and approval by the Board.

2020 has seen significant market volatility and whilst financial markets have stabilised in the latter part of the year, longer term consequences remain unclear. However, the Company continues to prove resilient.

Market risk can be broken down into three key components:

(i) Equity and property risk

At 31 December 2020 the Company held investments classified as AFS equity securities of £409m (2019: £373m). These include interests in structured entities (as disclosed in note 24) and other investments where the price risk arises from interest rate risk rather than from equity market price risk.

In addition the Company holds investments in properties which are subject to property price risk. A decrease of 15% in property prices would result in the recognition of losses of £42m (2019: £45m) in the profit and loss account and £3m (2019: £3m) in other comprehensive income.

This analysis assumes that there is no correlation between interest rate and property market rate risks. It also assumes that all other assets and liabilities remain unchanged and that no management action is taken. This analysis does not represent management's view of future market change, but reflects management's view of key sensitivities.

This analysis is presented gross of the corresponding tax credits/(charges).

(ii) Interest rate risk

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed income securities and their movement relative to the value placed on insurance liabilities. This impacts the fair value and amount of variable returns on existing assets as well as the cost of acquiring new fixed maturity investments.

Given the composition of the Company's investments as at 31 December 2020, the table below illustrates the impact to the profit and loss account and other comprehensive income of a hypothetical 100bps change in interest rates on fixed income securities that are subject to interest rate risk.

	Increase in profit and loss account		Decrease in other comprehensive income	
	2020	2019	**2020**	2019
	£m	£m	**£m**	£m
Increase in interest rate markets:				
Impact on fixed income securities of increase in interest rates of 100bps	**-**	-	**(130)**	(135)

The Company principally manages interest rate risk by holding investment assets (predominantly fixed income) that generate cash flows which broadly match the duration of expected claim settlements and other associated costs.

The sensitivity of the fixed interest securities of the Company has been modelled by reference to a reasonable approximation of the average interest rate sensitivity of the investments held within each of the portfolios. The effect of movement in interest rates is reflected as a one time rise of 100bps on 1 January 2021 and 1 January 2020 on the following year's profit and loss account and other comprehensive income. The impact of an increase in interest rates on the fair value of fixed income securities that would be initially recognised in OCI will reduce over time as the maturity date approaches.

(iii) Currency risk

The Company incurs exposure to currency risk in two ways:

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

- Structural currency risk – by investing in overseas group undertakings the Company is exposed to the risk that fluctuations in foreign exchange rates impact the net investment in these companies.

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.

Structural currency risk is managed through currency forward contracts, swaps and foreign exchange options within the limits that have been set. In managing structural currency risk, the needs of the Group's operations to maintain net assets in local currencies to satisfy local regulatory solvency and internal risk based capital requirements are taken into account.

The table below illustrates the impact of a hypothetical 10% change in Pounds Sterling against Danish Krone, Euro, Canadian Dollar or United States Dollar on shareholders' funds as at 31 December:

	Strengthening against Danish Krone	Weakening against Danish Krone	Strengthening against Euro	Weakening against Euro	Strengthening against Canadian Dollar	Weakening against Canadian Dollar	Strengthening against United States Dollar	Weakening against United States Dollar
	£m	£m	£m	£m	£m	£m	£m	£m
2020	**(2)**	**2**	**15**	**(19)**	**5**	**(6)**	**(6)**	**8**
2019	(25)	31	29	(36)	(2)	2	(6)	7

Liquidity risk

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

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

The Company maintains additional liquidity facilities for contingency purposes. These facilities included uncommitted overdraft arrangements, as well as the ability to enter repurchase agreements to cover short-term fluctuations in cash and liquidity requirements.

The following table summarises the contractual repricing or maturity dates, whichever is earlier. Claims outstanding within technical provisions are also presented and are analysed by remaining estimated duration until settlement.

As at 2020	**Less than 1 Year**	**1 - 2 Years**	**2 - 3 Years**	**3 - 4 Years**	**4 - 5 Years**	**5 + Years**	**Total**	**Balance Sheet carrying value**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Technical provisions - claims outstanding	**1,967**	**831**	**463**	**291**	**186**	**694**	**4,432**	**4,432**
Creditors arising out of direct insurance operations	**45**	**-**	**-**	**-**	**-**	**-**	**45**	**45**
Creditors arising out of reinsurance operations	**468**	**191**	**73**	**-**	**-**	**-**	**732**	**732**
Amounts owed to credit institutions	**7**	**-**	**-**	**-**	**-**	**-**	**7**	**7**
Amounts owed to group undertakings	**5,045**	**-**	**-**	**-**	**-**	**-**	**5,045**	**5,045**
Derivative trading liabilities	**19**	**-**	**-**	**2**	**4**	**93**	**118**	**118**
Lease liabilities	**9**	**11**	**9**	**8**	**7**	**17**	**61**	**55**
Total	**7,560**	**1,033**	**545**	**301**	**197**	**804**	**10,440**	**10,434**

As at 2019	Less than 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	5 + Years	Total	Balance Sheet carrying value
	£m	£m	£m	£m	£m	£m	£m	£m
Technical provisions - claims outstanding	1,527	887	566	327	240	780	4,327	4,327
Creditors arising out of direct insurance operations	44	1	-	-	-	-	45	45
Creditors arising out of reinsurance operations	474	192	72	-	-	-	738	738
Amounts owed to credit institutions	65	-	-	-	-	-	65	65
Amounts owed to group undertakings	4,987	-	-	-	-	-	4,987	4,987
Derivative trading liabilities	6	14	-	-	2	70	92	92
Lease liabilities	17	16	15	12	11	29	100	90
Total	7,117	1,099	667	339	253	879	10,354	10,344

The maturity analysis above is presented on a discounted basis for consistency with the balance sheet and supporting notes with the exception of lease liabilities.

Pension risk

The Company is exposed to risks through its obligation to fund a number of schemes. These risks include market risk (assets not performing as well as expected), inflation risk and longevity risk over the lives of the members. The Company and trustees of the schemes work together to reduce these risks through agreement of investment policy including the use of interest rate, inflation rate and mortality swaps. Further information on the Company's management of pension risk is included within note 15.

Capital management

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

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

The Company holds an appropriate level of capital to satisfy all applicable regulations. Compliance with regulatory requirements is embedded within the BRC mandate, for the protection of the Company's policyholders and the continuation of the Company's ability to underwrite.

Regulatory solvency position during 2020

The Group has a Prudential Regulation Authority (PRA) approved Solvency II Internal Model which forms the basis of the primary Solvency II solvency capital ratio (SCR) measure. RSA operates a programme of continuous development in relation to the internal model and a Group-level regulatory approval was received in 2020 for the latest set of enhancements.

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

At 31 December 2020, the Company's estimated SCR and corresponding Eligible Own Funds were as follows:

	Unaudited 2020 £bn	Unaudited 2019 £bn
Eligible Own Funds	**3.5**	3.3
SCR	**1.7**	1.7
Coverage (unrounded)	**202%**	189%

The Solvency and Financial Condition Report of the Group, which covers information on the solvency and financial condition of the Company, as required by Solvency II for the year ended 31 December 2020 will be publicly available in April 2021.

Shareholders' funds

The Company uses a variety of metrics to monitor its capital position including Shareholders' funds, which are £8,909m as at 31 December 2020 (2019: £8,199m).

Own Risk and Solvency Assessment (ORSA)

The Solvency II directive introduced a requirement for undertakings to conduct an ORSA. RSA received approval in April 2019 from the PRA to produce a single ORSA report covering the UK entities, including the Company. The approval is now in place until 2023 and it replaces the original approval received in 2016.

The Group defines its ORSA as a series of interrelated 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 and the outcome arising when the plan assumptions do not materialise as expected.

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

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

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

There were two ORSA's during 2020. An ad hoc ORSA was triggered in response to Covid-19 events. This considered the UK business interruption court case together with Covid-19 impacts across all key risk categories – Market risk, Underwriting risk, Reserving risk and Credit risk. This also considered a refresh of the Group Recovery plan together with a Reverse Stress Test event. As a follow on from the July process an updated ORSA report was presented to the BRC in January 2021. This considered the year end 2020 position, refreshed stress scenario testing and aligned to the latest 3 year capital projections. The ORSA process during this cycle continues to demonstrate ongoing balance sheet strength and balance sheet resilience.

6. Segmental information by business class and geographical area

a) By business class

2020	**Motor £m**	**Fire & property £m**	**Marine Aviation & Transport £m**	**Third Party Liability £m**	**Assistance £m**	**Other £m**	**Re-insurance £m**	**Total £m**
Gross premiums written	**752**	**1,071**	**125**	**298**	**21**	**267**	**1,026**	**3,560**
Gross premiums earned	**768**	**1,055**	**126**	**279**	**33**	**281**	**1,019**	**3,561**
Gross claims incurred	**(499)**	**(637)**	**(48)**	**(205)**	**(16)**	**(174)**	**(672)**	**(2,251)**
Operating expenses[1]	**(119)**	**(416)**	**(47)**	**(87)**	**(7)**	**(98)**	**(256)**	**(1,030)**
Gross technical result	**150**	**2**	**31**	**(13)**	**10**	**9**	**91**	**280**
Reinsurance result	**(174)**	**(71)**	**(30)**	**(41)**	**-**	**3**	**(26)**	**(339)**
Net technical result	**(24)**	**(69)**	**1**	**(54)**	**10**	**12**	**65**	**(59)**

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

2019	Motor £m	Fire & property £m	Marine Aviation & Transport £m	Third Party Liability £m	Assistance £m	Other[2] £m	Re-insurance £m	Total £m
Gross premiums written	823	1,007	99	256	37	285	1,264	3,771
Gross premiums earned	809	1,062	164	271	42	296	1,185	3,829
Gross claims incurred	(783)	(547)	(88)	(231)	(20)	(191)	(841)	(2,701)
Operating expenses[1]	(117)	(404)	(52)	(77)	(7)	(100)	(226)	(983)
Gross technical result	(91)	112	24	(38)	15	5	118	145
Reinsurance result	6	(115)	(51)	23	-	(2)	(35)	(174)
Net technical result	(85)	(3)	(27)	(15)	15	3	83	(29)

[1]For the purpose of the segmental information disclosed in this note, operating expenses is shown net of other operating income
[2]*Amounts reported as accident & health in the Company's 2019 Annual Report and Accounts have been re-presented as other in the table above.* In addition, amounts reported as operating expenses have been re-presented to be shown net of other operating income which is offset by a re-presentation of the reinsurance result. There is no impact on the total net technical result reported

All of the business above relates to general insurance which is considered to be the only business segment.

b) By geographical segment

Gross premiums written for direct business by origin:	**2020 £m**	2019 £m
UK	**2,491**	2,587
Other EEA	**-**	(136)
Other	**43**	56
	2,534	2,507

Gross premiums are disclosed by origin. There is no material difference between the amounts shown and those by reference to destination (i.e. location of risk).

Other EEA gross premiums were cancelled during 2019 as a result of a portfolio transfer. Further information can be found in note 40.

Total commissions for direct insurance business accounted for by the Company during the year, excluding payments to employees, amounted to £444m (2019: £465m).

7. Loss on disposal of business

In 2020, the loss of £4m relates to the sale of the Company's 57.1% holding in British Aviation Insurance Company Limited.

In 2019, the Company incurred a £19m loss relating to the disposal of the UK Legacy business, consisting of a £15m additional contribution to Enstar Group Limited and £4m costs of disposal. The legal transfer of the UK Legacy liabilities was completed on 1 July 2019 after the transaction initially took the form of a reinsurance arrangement, effective from 31 December 2016.

8. Exchange rates

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

	2020 Cumulative average	2020 End of period	2019 Cumulative average	2019 End of period
United States Dollar	**1.28**	**1.37**	1.28	1.32
Euro	**1.13**	**1.12**	1.14	1.18
Canadian Dollar	**1.72**	**1.74**	1.70	1.72
Danish Krone	**8.39**	**8.31**	8.52	8.82

Other comprehensive income contains net losses of £(1)m (2019: £(1)m net losses) on the retranslation of foreign currency items. The profit and loss account contains net gains of £4m (2019: £(20)m net losses) on the retranslation of foreign currency items.

9. Investment income, expenses and charges

	Investment income 2020 £m	Investment income 2019 £m	Net realised gains/(losses) 2020 £m	Net realised gains/(losses) 2019 £m	Net unrealised gains/(losses) 2020 £m	Net unrealised gains/(losses) 2019 £m	Total investment return 2020 £m	Total investment return 2019 £m
Investment property	**17**	18	**3**	-	**(8)**	(10)	**12**	8
Shares and other variable yield securities and units in unit trusts								
Available for sale	**5**	7	**1**	3	**-**	-	**6**	10
Debt securities and other fixed income securities								
Available for sale	**74**	90	**(1)**	-	**-**	-	**73**	90
Other investments								
Other loans	**51**	54	**-**	-	**-**	-	**51**	54
Deposits, cash at bank and in hand	**1**	2	**-**	-	**-**	-	**1**	2
Derivatives	**-**	(2)	**(4)**	-	**(8)**	(9)	**(12)**	(11)
Total net investment return	**148**	169	**(1)**	3	**(16)**	(19)	**131**	153
Shares in group undertakings	**1**	2,955	**-**	-	**-**	-	**1**	2,955
	149	3,124	**(1)**	3	**(16)**	(19)	**132**	3,108

	2020 £m	2019 £m
Investment expenses, charges and interest		
Interest on loans from group undertakings	**(38)**	(91)
Other interest charges	**(9)**	(9)
Investment management expenses	**(7)**	(7)
Impairment of shares and other variable yield securities and units in unit trusts	**(4)**	-
	(58)	(107)
Impairment of group undertakings	**-**	(2,408)
Net investment return	**74**	593

The net investment return on derivatives represents the investment return on financial assets that the Company is required to classify as held for trading investments. The derivatives are used to provide a protection hedge for fair value changes of assets held within the investment portfolio and foreign currency cash flows.

Direct operating expenses (including repairs and maintenance) arising from investment properties were not material in 2020 or 2019.

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

	Net unrealised gains/(losses)		Net realised (gains)/losses transferred to profit and loss account		Net movement recognised in other comprehensive income	
	2020	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m
Equity securities	**(6)**	(4)	**4**	(3)	**(2)**	(7)
Debt securities	**66**	69	**(1)**	-	**65**	69
Subsidiary undertakings	**660**	(263)	**-**	-	**660**	(263)
Total	**720**	(198)	**3**	(3)	**723**	(201)

10. Auditor's remuneration

Fees payable to KPMG LLP for the audit of the Company's accounts for the year ended 31 December 2020 were £1,960,000 (31 December 2019: £1,300,550). Fees payable to KPMG LLP for the provision of non-audit services* for the year ended 31 December 2020 were £237,000 (31 December 2019: £285,000). Audit fees of £272,000 (2019: £251,450) were also paid by Royal & Sun Alliance Insurance plc on behalf of certain subsidiary undertakings.

* Non-audit services fee includes £127,000 (2019: £250,000) in relation to assurance work in respect of RSA Insurance Group plc Solvency II reporting.

11. Directors' emoluments

	2020	2019
The aggregate emoluments of the directors, including amounts paid for services to the Group, were as follows:	**£000**	£000
Salaries and bonuses	**6,254**	4,102
Allowances, benefits and other awards	**506**	1,179
	6,760	5,281

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

	2020	2019
The emoluments of the highest paid director were:	**£000**	£000
Salary, bonus, allowances, benefits and other awards	**3,047**	1,449

No amounts were paid to a pension scheme in respect of the highest paid directors' qualifying services during 2020 (2019: £3,479).

During 2020, no retirement benefits accrued under defined benefit schemes for directors (2019: none). During 2020, contributions of £4,813 (2019: £11,542) were made to Group defined contribution schemes during the year in respect of one director (2019: two directors).

During 2020, no directors exercised share options (2019: no directors) and three directors (2019: four directors) had shares awards vesting under long term incentive schemes in respect of ordinary shares of the Company's ultimate parent company.

12. Employees and Staff costs

	2020	2019
	£m	£m
Wages and salaries	**226**	219
Social security costs	**27**	27
Other pension costs	**30**	23
Share based payments (note 16)	**14**	7
Total staff costs	**297**	276

Other pension costs include only those items included within operating costs.

The average monthly number of employees (including executive directors) of the Company during the year is as follows:

	2020 Number	2019 Number
UK & Ireland	**5,236**	5,297
Other	**14**	12
Total average number of employees during the year	**5,250**	5,309

UK & Ireland includes staff employed in Group Corporate Centre.

Further information on pension obligations of the Company can be found in note 15. Further information on employee share schemes can be found in note 16.

13. Leases

The Company leases land and buildings and other tangible assets such as vehicles, IT equipment, servers and mainframes to operate its business. The remaining lease terms for the main office premises range from 1 to 14 years (2019: 1 to 15 years).

The Company also leases office equipment, such as laptops and printers, for which certain leases are short term (1 year or less) and/or low value items. The Company has elected to apply recognition exemptions as permitted by IFRS 16 for these leases (see note 3 for accounting policy).

Lease liabilities of £55m (2019: £90m) are included within other creditors in the balance sheet. The maturity analysis of lease liabilities can be found in note 5.

A reconciliation of lease liabilities is presented below:

	2020 £m	2019 £m
Balance at 1 January	**90**	94
Lease payments	**(19)**	(17)
Additions to lease liabilities	**4**	12
Interest on lease liabilities	**2**	3
Remeasurements	**(22)**	(2)
Balance at 31 December	**55**	90

Amounts recognised in profit or loss

Leases under IFRS 16	2020 £m	2019 £m
Interest on lease liabilities	**2**	3
Administrative expenses relating to short-term leases	**-**	2
Administrative expenses relating to leases of low-value assets	**1**	1
Administrative expenses relating to variable lease payments	**4**	-

14. Other technical income

	2020 £m	2019 £m
Administration fees income	**1**	3
Instalment policy fee income	**17**	19
Introductory commissions	**1**	1
Service income	**7**	7
Other fees	**43**	41
Total other technical income	**69**	71

Information on the income types within the table above is disclosed within the other technical income accounting policy in note 3.

15. Post-employment benefits and obligations

Defined contribution pension schemes

Costs of £32m (2019: £31m) were recognised in respect of defined contribution schemes by the Company.

Defined benefit pension schemes and other post-employment benefits

The amounts recognised in the financial statements are as follows:

	2020	2019
	£m	£m
Present value of funded obligations	(8,832)	(8,135)
Present value of unfunded obligations	(7)	(7)
Fair value of plan assets	9,342	8,537
Other net surplus remeasurements	(179)	(141)
Net surplus in schemes	324	254
Defined benefit pension schemes	324	254
Schemes in surplus	331	261
Schemes in deficit	(7)	(7)

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

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

If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years. Due to the complexity of the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in the assumptions. Assumptions are reviewed at each reporting date. As such, the IAS 19 valuation of the liability is highly sensitive to changes in bond rates and will also be impacted by changes in equity markets.

The assets of these schemes are mainly held in separate trustee administered funds. The defined benefit schemes were effectively closed to new entrants in 2002 and subsequently closed to future accruals with effect from 31 March 2017. The schemes in surplus have been reduced for the 35% tax cost of an authorised return of surplus, classified as 'Other net surplus remeasurements'. Our opinion is that the authorised refund tax charge is not an income tax within the meaning of IAS 12 and so the surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

The profile of the members of the two main defined benefit schemes at 30 September 2020 (the latest date at which full information is available) is as follows:

	Number
Deferred members - members no longer accruing and not yet receiving benefits	22,710
Pensioners - members and dependants receiving benefits	18,840
Total members at 30 September 2020	41,550

Accrued benefits are revalued up to retirement in accordance with government indices for inflation. A cap of 2.5% per annum applies to the revaluation of benefits accrued post March 2010 (a cap of 5% per annum applies for benefits which accrued prior to this date).

After retirement, pensions in payment are increased each year based on the increases in the government indices for inflation. A cap of 2.5% applies to benefits accrued post 31 December 2005 (a cap of 5% applies to benefits in excess of Guaranteed Minimum Pension prior to this date).

The schemes are managed through trusts with independent trustees responsible for safeguarding the interests of all members. The trustees meet regularly with management to discuss the funding position and any proposed changes to the schemes. The schemes are regulated by The Pensions Regulator.

The Company is exposed to risks through its obligation to fund the schemes. These risks include market risk (assets not performing as well as expected), inflation risk and longevity risk over the lives of the members. The Company and the trustees of the schemes work together to reduce these risks through agreement of investment policy including the use of interest rate, inflation rate and longevity swaps.

During 2009 the Company entered into an arrangement that provides coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment of the two largest schemes at that time (c.35% coverage based on current pensioner population). The arrangement provides for reimbursement of the covered pension obligations in return for the contractual return receivable on a portfolio of assets (made up of quoted government debt and swaps) held by the pension funds at the inception of the arrangement and which have continued to be held by the schemes. The swaps held are accounted for as a longevity swap, measured at fair value under IFRS (and in accordance with FRS 101) by discounting all expected future cash flows using a discount rate consistent with the term of the relevant cash flow. The discount rate used is subject to a degree of judgement, due to the unique characteristics of the swap, and the rate is selected to most closely reflect the economic matching nature of the arrangement within a range of acceptable values obtained from external sources. The total value of the arrangement, including government debt measured at prices quoted in an active market, at 31 December 2020 is £1,596m (2019: £1,560m). Management do not believe that there is a significant risk of a material change to the balance in the balance sheet net of the associated pension liabilities subject to the arrangement within the next financial year.

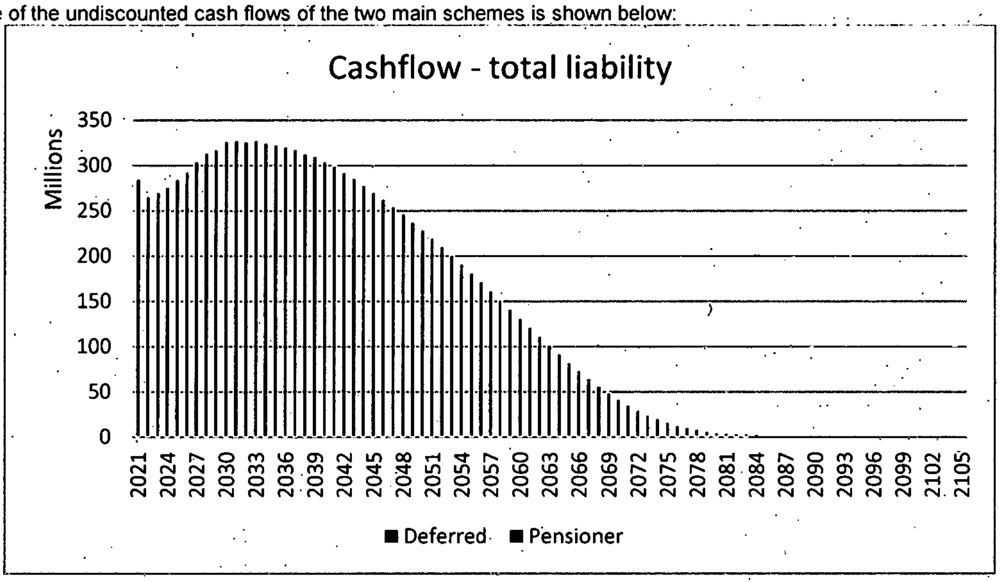
In November 2020 the High Court issued a follow-up ruling to the Lloyds Banking Group 2018 case in respect of the equalisation of benefits due to unequal Guaranteed Minimum Pensions (GMPs) for male and female scheme members. The update states that where pension schemes have paid out lump sum transfers in respect of individual members leaving the scheme, these payments should also have been adjusted to allow for GMP equalisation and must therefore be revisited retrospectively. The impact of this on the defined benefit schemes has been estimated with an expected cost of c£1m recognised in 2020 (c£8m recognised in 2018 in respect of the original judgement).

Each scheme is subject to triennial valuations, which are used to determine the future funding of the schemes by the Company including funding to repair any funding deficit. The funding valuations, which determine the level of cash contributions payable into the schemes and which must be agreed between the Trustees and the Company, are typically based on a prudent assessment of future experience with the discount rate reflecting a prudent expectation of returns based on actual investment strategy. This differs from IAS 19, which requires that future benefit cash flows are projected on the basis of best-estimate assumptions and discounted in line with high-quality corporate bond yields. The Trustees' funding assumptions are updated only every three years, following completion of the triennial funding valuations. The effective date of the most recent valuations of the main funds is 31 March 2018.

At the most recent funding valuations, the main funds had an aggregate funding deficit of £468m, equivalent to a funding level of 95%. The Company and the Trustees have agreed funding plans to eliminate the funding deficits by 2026. Details of the deficit contributions paid in 2020 and that are due to be paid in 2021 under these plans are disclosed below. The funding plans will be reviewed again following the next triennial valuations which will have an effective date of 31 March 2021.

For the two main defined benefit schemes, the level of contributions in 2020 was £84m (2019: £96m) of which £75m (2019: £86m) were additional contributions to reduce funding deficits. Expected contributions to the two schemes for the year ending 31 December 2021 are approximately £84m including £75m of additional contributions to reduce the deficit.

The maturity profile of the undiscounted cash flows of the two main schemes is shown below:



The weighted average duration of the defined benefit obligation of the two main schemes at the end of the reporting period is 17.5 years (2019: 17 years).

The estimated discounted present values of the accumulated obligations are calculated in accordance with the advice of independent, qualified actuaries.

Movement during the year:	2020			
	Present value of obligation	**Fair value of plan assets**	**Other net surplus remeasurements**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 January	**(8,142)**	**8,537**	**(141)**	**254**
Past service costs	**(1)**	**-**	**-**	**(1)**
Interest (expense)/income	**(164)**	**173**	**-**	**9**
Administration costs	**-**	**(6)**	**-**	**(6)**
Total (expense)/income recognised in profit and loss account	**(165)**	**167**	**-**	**2**
Return on scheme assets less amounts included in net interest cost	**-**	**906**	**-**	**906**
Effect of changes in financial assumptions	**(962)**	**-**	**-**	**(962)**
Effect of changes in demographic assumptions	**17**	**-**	**-**	**17**
Experience gains and losses	**70**	**-**	**-**	**70**
Investment expenses	**-**	**(10)**	**-**	**(10)**
Other net surplus remeasurements	**-**	**-**	**(38)**	**(38)**
Remeasurement recognised in other comprehensive income	**(875)**	**896**	**(38)**	**(17)**
Employer contribution	**-**	**85**	**-**	**85**
Benefit payments	**343**	**(343)**	**-**	**-**
At 31 December	**(8,839)**	**9,342**	**(179)**	**324**
Deferred tax				**1**
Net surplus, net of deferred tax				**325**

	2019			
	Present value of obligation	Fair value of plan assets	Other net surplus remeasurements	Total
	£m	£m	£m	£m
At 1 January	(7,467)	7,827	(129)	231
Past service costs	(1)	-	-	(1)
Interest (expense)/income	(205)	219	-	14
Administration costs	-	(5)	-	(5)
Total (expense)/income recognised in profit and loss account	(206)	214	-	8
Return on scheme assets less amounts included in net interest cost	-	730	-	730
Effect of changes in financial assumptions	(840)	-	-	(840)
Effect of changes in demographic assumptions	31	-	-	31
Experience gains and losses	17	-	-	17
Investment expenses	-	(8)	-	(8)
Other net surplus remeasurements	-	-	(12)	(12)
Remeasurement recognised in other comprehensive income	(792)	722	(12)	(82)
Employer contribution	-	97	-	97
Benefit payments	323	(323)	-	-
At 31 December	(8,142)	8,537	(141)	254
Deferred tax				1
Net surplus, net of deferred tax				255

The value of scheme assets are as follows:	2020			2019		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Equities	**436**	**106**	**542**	518	183	701
Government debt	**6,514**	**-**	**6,514**	5,454	465	5,919
Non-government debt	**1,926**	**1,566**	**3,492**	1,648	1,056	2,704
Derivatives	**-**	**1,061**	**1,061**	-	827	827
Property	**-**	**635**	**635**	-	645	645
Cash	**190**	**-**	**190**	82	-	82
Other	**-**	**355**	**355**	-	450	450
Investments	**9,066**	**3,723**	**12,789**	7,702	3,626	11,328
Value of asset and longevity swaps	**-**	**(3,447)**	**(3,447)**	-	(2,791)	(2,791)
Total assets in the schemes	**9,066**	**276**	**9,342**	7,702	835	8,537

The scheme assets are analysed by those that have a quoted market price in active markets and unquoted.

Where assets are classified as unquoted the valuations are:

- Taken from the underlying managers in the case of non-developed market equity, non-UK sovereign debt, pooled non-government debt and other pooled funds – these funds themselves will be subject to annual (or more frequent) audit
- Provided by an independent surveyor (in the case of direct property)
- Taken at the mark to market valuation used for collateral purposes in the case of derivative contracts

The weighted average principal actuarial assumptions used are:

	2020	2019
	%	%
Assumptions used in calculation of retirement benefit obligation		
Discount rate	**1.38**	2.05
Annual rate of inflation (RPI)	**2.92**	2.96
Annual rate of inflation (CPI)	**2.26**	1.96
Annual rate in increase in pensions[1]	**2.79**	2.82
Assumptions used in calculation of pension net interest costs for the year:		
Discount rate	**2.05**	2.83

[1]The annual rate of increase in pensions shown is the rate that applies to pensions that increase at RPI subject to a cap of 5%.

During the year a change was made to the actuarial provider of our IAS 19 discount rate. The underlying principles of this assumption remain unchanged and, while the impact will vary slightly at different dates, it is expected to remain broadly neutral (1bp at 31 December 2019, which is equivalent to less than a £5m decrease in net IAS 19 surplus).

Mortality rate

The mortality assumptions are set following investigations of the main schemes' recent experience carried out by independent actuaries as part of the most recent funding valuations. The core mortality rates assumed for the main schemes follow industry-standard tables with percentage adjustments to reflect the schemes' recent experience compared with that expected under these tables.

Reductions in future mortality rates are allowed for by using the CMI 2019 tables (2019: CMI 2018 tables) with a long term improvement of 1.25% (2019: 1.25%). The weighted average assumptions imply that a current pensioner aged 60 has an expected future lifetime of 27.0 (2019: 27.0) years for males and 28.5 (2019: 28.5) years for females and a future pensioner aged 60 in 15 years' time has a future expected lifetime from age 60 of 28.0 (2019: 28.0) years for males and 29.7 (2019: 29.7) years for females.

Sensitivity analysis

Sensitivities for the defined benefit obligations of the two main schemes are shown below:

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

[1] The impact shown is for the appropriate increase in the revaluation of deferred pensions and the increases to pensions in payment resulting from the specific increase in RPI and CPI.
[2] Reducing the core mortality rates by 12% is the equivalent of increasing the life expectancy of a male aged 60 years by 1 year.

16. Share based payments

The total employment cost recorded in the profit and loss account for all plans is £14m in 2020 (2019: £7m).

Analysis of share scheme costs (per profit and loss account):

	2020	2019
	£m	£m
Performance share plan (PSP)	**12**	6
Save as you earn (SAYE)	**2**	1
Total	**14**	7

Analysis of new awards costs:

	2020		2019	
	Charge for year	**Total value**	Charge for year	Total value
	£m	**£m**	£m	£m
PSP	**5**	**9**	3	9
SAYE	**-**	**2**	-	1
Total	**5**	**11**	3	10

The balance of the value of the awards will be charged to the profit and loss account during the remaining vesting periods.

Performance Share Plan

This plan is the Group's current Long-Term Incentive Plan. Awards of performance shares to executive directors and other selected executives and senior managers are subject to performance conditions. These consist of the Group's underlying return on tangible equity; relative total shareholder return; and business scorecard targets over a three year performance period. Typically awards vest on the third anniversary of the date of grant to the extent that the performance conditions have been met, with a two-year retention period in the case of Executive Directors' Performance Shares.

The Remuneration Committee may also make conditional awards of restricted shares to other executives and senior managers, which are not subject to performance conditions.

Additionally, the Remuneration Committee may defer a portion of an individual's gross bonus into an award over shares referred to for the purpose of the plan as deferred bonus shares, which are also not subject to performance conditions.

If an employee resigns from the Company, then performance shares and restricted shares lapse at the date of leaving the Company. Deferred Bonus Shares awards are generally retained by the employee to whom the award was granted if they leave the Company, unless the employee is dismissed for cause. Awards retained will vest on the normal vesting date.
However, the Remuneration Committee has the discretion to modify the treatment of leavers' share awards that have yet to be released, based on the leaving circumstances, where this is appropriate and in shareholders' interests.

17. Taxation

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

	2020 £m	2019 £m
Current tax		
UK corporation tax	**4**	(7)
Overseas taxation	**4**	3
Adjustments in respect of prior periods	**1**	(1)
Total current tax	**9**	(5)
Deferred tax		
Temporary differences - origination and reversal	**12**	6
Adjustments in respect of prior periods	**1**	-
Adjustment for change in tax rates	**(17)**	-
Total deferred tax (see note 28)	**(4)**	6
Total tax charge for the year	**5**	1

The UK corporation tax for the current year is based on a rate of 19.0% (2019: 19.0%).

Reconciliation of the total tax charge

The tax charge for the year is more than 19.0% (2019: less than 19.0%) due to the items set out in the reconciliation below:

	2020 £m	2019 £m
Profit on ordinary activities before tax	**15**	525
Tax at 19.0% (2019: 19.0%)	**3**	100
Factors affecting charge:		
Expenses not deductible for tax purposes[1]	**1**	459
Income/gains not taxable[2]	**(3)**	(566)
Fiscal adjustments	**(1)**	(4)
Increase/(release) of tax provided in respect of previous periods	**2**	(1)
Effect of change in tax rates/rate differences[3]	**(17)**	-
Group relief received without payment	**1**	4
Unrelieved foreign tax credits	**4**	3
Deferred tax assets not recognised	**15**	6
Total tax charge for the year	**5**	1

[1]Expenses not deductible for tax purposes in 2019 mainly comprised impairment of subsidiaries of £2,408m. Tax impact £455m.

[2]Income/gains not taxable in 2019 mainly comprised dividends from subsidiaries of £2,955m. Tax impact £561m.

[3]The effect of change in tax rates relates to the impact of the change in the UK deferred tax rate (17.0% to 19.0% from April 2020) on the UK deferred tax asset. This resulted in a £17m deferred tax credit to the profit and loss account, which has been largely offset by deferred tax assets not recognised (£15m charge to the profit and loss account).

18. Dividends

	2020 £m	2019 £m
No interim dividends were paid during the year (2019: 7.20p per ordinary share)	**-**	350

The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2020 (2019: £nil)

19. Intangible assets

	Goodwill on acquisition	Externally acquired software	Internally generated software	Other	Total
Cost	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2020	-	72	434	24	530
Additions	-	-	79	-	79
Disposals	-	-	(1)	(14)	(15)
At 31 December 2020	-	72	512	10	594
Accumulated Amortisation					
At 1 January 2020	-	72	208	24	304
Disposals	-	-	-	(14)	(14)
Charge for the year	-	-	29	-	29
At 31 December 2020	-	72	237	10	319
Accumulated Impairment					
At 1 January 2020	-	-	-	-	-
At 31 December 2020	-	-	-	-	-
Net Book Value					
At 31 December 2020	-	-	275	-	275

	Goodwill on acquisition	Externally acquired software	Internally generated software	Other	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2019	9	72	349	24	454
Additions	-	-	85	-	85
Disposals	(9)	-	-	-	(9)
At 31 December 2019	-	72	434	24	530
Accumulated Amortisation					
At 1 January 2019	-	72	185	23	280
Charge for the year	-	-	23	1	24
At 31 December 2019	-	72	208	24	304
Accumulated Impairment					
At 1 January 2019	9	-	-	-	9
Disposals	(9)	-	-	-	(9)
At 31 December 2019	-	-	-	-	-
Net Book Value					
At 31 December 2019	-	-	226	-	226

The carrying value of intangible assets not yet available to use at 31 December 2020 is £129m (2019: £121m). This primarily relates to the implementation of strategic software assets, reported within internally generated software.

Amortisation

Amortisation expense of £29m (2019: £24m) has been charged to administrative expenses within the profit and loss account.

The Company continues to invest in strategic software assets such as policy administration and claims management systems. These are fundamental to the ongoing insurance operations and will remain in use for a period of at least ten years. In 2019, the useful economic life of strategic software assets was extended from seven to ten years based on management's best estimate. This did not have a material impact in the period.

Impairments

During 2020, no impairment charge was recognised for intangible assets (2019: £nil).

When testing intangible assets for impairment (including those not available for use), the carrying value of the Cash Generating Unit (CGU) which includes the intangible assets is compared to the recoverable amount as determined by a value in use calculation. Where the value in use is less than the current carrying value of the CGU in the balance sheet, the intangible asset is impaired in order to ensure that the CGU carrying value is not greater than its future value to the Company.

The value in use calculation uses cash flow projections based on the operational plan approved by management covering a three year period. The operational plan uses the best estimates of future premiums, operating expenses and taxes using historical trends, general market conditions, industry trends and forecasts and other available information. These plans reflect the Company's assessment of the impact of the current challenging economic environment and assume that the Company continues to operate on a standalone basis.

Cash flows beyond the operational plan period are extrapolated using the estimated growth rates which management deem appropriate for the CGU. Future cash flow projection years are not extrapolated beyond the asset's useful economic life. The cash flow forecasts are adjusted by appropriate discount rates.

The pre-tax discount rate used for the intangible assets impairment testing, which reflects specific risks relating to the CGU at the date of evaluation, and the growth rate are shown below. In determining a cost of capital, data over a period of time is utilised to avoid short term market volatility. The growth rate includes improvements in trade performance, where these are forecast in the three year operational plan for the CGU.

	2020	2019
Pre-tax discount rate[1]	**14.5%**	12.6%
Growth rate[2]	**4.8%**	0.5%

[1] The basis of the growth rate assumption used for the value in use calculation has been reassessed in 2020. The change in basis has had no material impact on the outcome of the testing.

[2] The discount rate disclosed in the Company's 2019 Annual Report and Accounts was 8.5%, which was the post-tax discount rate. The 2019 comparative above has been updated to reflect the pre-tax rate used, there is no resulting impact on the 2019 value in use calculation or conclusions drawn.

There is increased uncertainty within the operational plans due to the impact of Covid-19 and the offer to buy RSA therefore a range of downside scenarios to the plan have been considered, none of which would result in an impairment. The level of headroom is not materially sensitive to reasonable changes in the key assumptions used or the downside scenario modelling performed.

20. Land and buildings

Land and buildings is split between land and buildings owned and right-of-use assets as follows:

	2020	2019
	£m	£m
Land and buildings owned	**300**	319
Right-of-use assets	**32**	59
Total land and buildings	**332**	378

Land and buildings owned

	2020	2019
	£m	£m
Land and buildings		
Freehold land and buildings	**290**	305
Long leasehold	**10**	14
Total land and buildings	**300**	319
Of which Company occupied	**19**	19

The movement in the carrying value of land and buildings owned is detailed below:

	2020	2019
	£m	£m
Land and buildings at 1 January	**319**	328
Purchases	**19**	10
Sales	**(32)**	(9)
Fair value losses taken to profit and loss account	**(5)**	(10)
Fair value gains taken to other comprehensive income	**-**	1
Depreciation taken to the profit and loss account	**(1)**	(1)
Land and buildings at 31 December	**300**	319

The historical cost of property at 31 December 2020 is £297m (2019: £298m).

The movement in the company occupied property reserve is shown below:

	2020	2019
	£m	£m
Property reserve at 1 January	15	14
Fair value gains	-	1
Property reserve at 31 December	**15**	15

Investment properties (classified as land and buildings) are included in the Company's investment portfolio to provide investment returns over the longer term in accordance with the Company's investment strategy. Investment properties are managed by external managers.

These lease agreements are normally drawn up in line with local practice and the Company has no significant exposure to leases that include contingent rents.

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

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

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

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

Right-of-use assets

Right-of-use assets relate to leased properties.

	2020	2019
	£m	£m
Balance at 1 January	59	60
Depreciation charge for the year	(9)	(10)
Additions to right-of-use assets	4	12
Remeasurements	(15)	(3)
Impairments	(7)	-
Balance at 31 December	**32**	59

Impairment assessment

In response to Covid-19, substantially all of the Company's employees temporarily moved from office to home working and a large proportion of the Company's leased office space is still not currently being fully utilised. Further to the success of home working and in conjunction with the UK restructuring programme, a review of the future working locations of employees and required office space usage has been undertaken. These factors were considered to be impairment indicators and therefore an impairment assessment of land and buildings and tangible assets, including right-of-use assets, has been carried out. Subsequently, impairments of £(7)m above and £(4)m in tangible assets (note 29) have been recognised in administrative expenses within the profit and loss account mainly relating to office floor space which is not expected to be utilised in the future.

The key judgements and assumptions considered in the impairment assessment were as follows:

- Office space was distinguished between:
    - Office space that is temporarily underutilised and has not been impaired on the basis that the space will be utilised again in the future when office working resumes
    - Office space that will remain vacant and no longer be utilised as a result of the reduced need for working space for the reasons mentioned above

- The likelihood of activating future break clauses on remaining leases where office space is still utilised have been assessed and assets re-measured (together with associated lease liabilities) where it is likely that clauses will be invoked

- The recoverable amount of the right-of-use assets relating to permanently vacant office space was based on their value in use and included several key assumptions. These include:

- The ability to sublet and the timing of agreements, if considered possible
- The level of rent charged
- The discount rate which is assumed to be the weighted average cost of capital
- Identification of other relevant cash flows to include such as future service charges and insurance

The key judgements and assumptions used in measuring the recoverable amounts of the impaired right-of-use assets are not deemed materially sensitive. An adverse extreme change in all key judgements and assumptions included in the calculation of the recoverable amount would result in additional impairment of £4m.

21. Shares in group undertakings

The Company's subsidiaries at 31 December 2020 are set out in note 46. The companies are principally all engaged in the transaction of insurance or related business. The countries shown are those of incorporation and principal operation. Subsidiaries in the balance sheet comprise:

	2020	2019
	£m	£m
Fair value at 1 January	10,391	13,001
Additions / Acquisitions	-	64
Disposals	(11)	(3)
Revaluation	660	(263)
Impairments	-	(2,408)
Total fair value of shares in group undertakings at 31 December	**11,040**	10,391

The historic cost of investments in subsidiaries is £13,407m (2019: £13,423m).

Additions

There have been no additions during 2020. Additions in 2019 of £64m comprised a contribution-in-kind of £52m and a capital injection of £12m in RSA Luxembourg S.A..

Disposals

The Company disposed of its holding of British Aviation Insurance Company Limited during 2020, the carrying value of the holdings was £11m.

The Company completed the disposal of Noble Marine (Insurance Brokers) Limited and Noble Marine (Underwriting Agencies) Limited during 2019, the total carrying value of the holdings was £3m. These holdings were classified as held for sale as at 31 December 2018.

Loss on disposal of subsidiaries comprises the following:

	2020	2019
	£m	£m
Proceeds	7	3
Less: Carrying Value	(11)	(3)
Add: Unrealised gains released from revaluation reserve	-	-
Loss on disposal of subsidiaries	**(4)**	-

Impairments

There have been no impairments during 2020.

Impairments of £2,408m in 2019 mainly related to the Company's holdings in RSA Finance (£1,898m), Sun Alliance and London Insurance Limited (£472m), Royal & Sun Alliance Insurance (Global) Limited (£31m), RSA Insurance Ireland DAC (£4m) and Westgate Properties Limited (£3m).

Sensitivities

The offer to buy RSA has been reflected within the valuation of shares in group undertakings at 31 December 2020. This results in an uplift to the value of the major operating entities compared to the internal valuation methodology that would be applied if the offer had not been received. There is no difference in valuation on either basis for the non-major operating entities.

Given that the offer will reflect the fair value of the major operating entities plus the additional benefits the consortium can derive, the impact of these shocks has been calculated from an internal valuation perspective. The sensitivities below are shown relative to the final bid valuation for the major operating entities.

				Decrease in fair value through OCI	
				2020	2019[1]
Subsidiary type	**Assumption type**	**Assumption used**	**Alternative assumption**	**£m**	£m
Major operating	Cost of capital	8.50%	Increase by 1%	(186)	(189)
Major operating	Net asset value	100%	Decrease by 5%	(106)	(165)
Non-major operating	Net asset value	100%	Decrease by 5%	(245)	(242)

[1] 2019 sensitivities have been restated using the alternative assumptions included in the table above. Sensitivities reported in the 2019 Annual Report and Accounts used alternative assumptions of an increase by 0.5% for cost of capital and a decrease by 1% for net asset value.

22. Financial Assets

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

	2020 £m	2019 £m
Shares and other variable yield securities and units in unit trusts	409	373
Debt securities and other fixed income securities	3,424	3,529
Financial assets measured at fair value	**3,833**	3,902
Other loans	257	195
Total financial assets	**4,090**	4,097

Collateral

At 31 December 2020, the Company had pledged £396m (2019: £450m) of financial assets as collateral for liabilities or contingent liabilities, consisting of government debt securities of £166m (2019: £426m), non-government debt securities of £192m (2019: £nil) and cash at bank and in hand of £38m (2019: £24m). The debt securities pledged of £358m (2019: £426m) are included in the balance sheet as available for sale debt securities and other fixed income securities and the Company's right to recover the cash pledged of £38m (2019: £24m) is included in other debtors of.. The terms and conditions of the collateral pledged are market standard in relation to letter of credit facilities, derivative transactions and repurchase agreements.

At 31 December 2020, the Company had accepted £466m (2019: £323m) in collateral, consisting of government debt securities of £464m (2019: £302m), which the Company is permitted to sell or repledge in the event of default by the owner, and cash at bank and in hand of £2m (2019: £21m). The obligation to repay the cash is included in the balance sheet in other creditors and the corresponding cash received is recognised as an asset. The fair value of the collateral accepted is £466m (2019: £323m). The terms and conditions of the collateral held are market standard. The assets held as collateral are readily convertible into cash.

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.

The fair value at 31 December 2020 and change during the year of debt securities that are held to collect cash flows on specified dates that are solely for payment of principal and interest (SPPI) and are not held for trading as defined under IFRS 9, nor are managed or evaluated on a fair value basis, is set out below, together with the same information for all other financial assets:

As at 31 December 2020

	SPPI financial assets £m	Other financial assets £m	Total £m
Shares and other variable yield securities and units in unit trusts	-	409	409
Debt securities and other fixed income securities	3,204	220	3,424
Other loans	257	-	257
Derivative financial assets	-	97	97
Fair value at 31 December 2020	**3,461**	**726**	**4,187**

As at 31 December 2019

	SPPI financial assets £m	Other financial assets £m	Total £m
Shares and other variable yield securities and units in unit trusts	-	373	373
Debt securities and other fixed income securities	3,340	189	3,529
Other loans	195	-	195
Derivative financial assets	-	98	98
Fair value at 31 December 2019	3,535	660	4,195

The fair value gains/losses of SPPI financial assets and other financial assets during the year are £64m gains (2019: £66m gains) and £13m losses (2019: £10m losses) respectively.

When IFRS 9 is adopted by the Company (currently expected to be 2023) an expected credit loss provision will be recognised replacing the incurred credit loss provision under IAS 39, the impact of which will be determined by the financial instruments held at that time.

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

Derivatives

The following table presents the fair value and notional amount of derivatives by term to maturity and nature of risk.

As at 31 December 2020

	Notional amount				Fair Value	
	Less than 1 year	1-5 Years	More than 5 Years	Total	Asset	Liability
	£m	£m	£m	£m	£m	£m
Currency risk	1,479	1	-	1,480	17	5
Inflation risk	60	-	120	180	78	81
Cross currency interest swaps	38	54	85	177	2	32
					97	118

As at 31 December 2019

	Notional amount				Fair Value	
	Less than 1 year	1-5 Years	More than 5 Years	Total	Asset	Liability
	£m	£m	£m	£m	£m	£m
Currency risk	1,691	1	-	1,692	40	6
Inflation risk	-	60	120	180	58	62
Cross currency interest swaps	-	49	108	157	-	24
					98	92

The Company is party to a series of swap contracts which collectively provide limited cover against a sharp increase in long term inflation. In total the swap contracts provide inflation cover over a nominal value of £180m (2019: £180m) and are split over different contract terms.

At 31 December 2020 the Company holds currency forward contracts and foreign exchange options to reduce structural foreign exchange risk.

The Company enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one counterparty to the other. In certain circumstances, such as a credit default, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because the Company does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events. The tables below provide information on the impact of the netting arrangements.

	Amounts subject to enforceable netting arrangements							
	Effect of offsetting in statement of financial position			Related items not offset				
As at 31 December 2020	**Gross amounts**	**Amounts offset**	**Net amounts reported**	**Financial instruments**	**Financial collateral**	**Net amount**	**Amounts not subject to netting arrangements**	**Net amount reported in balance sheet**
	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	94	-	94	(86)	(2)	6	3	97
Total assets	94	-	94	(86)	(2)	6	3	97
Derivative financial liabilities	117	-	117	(86)	(31)	-	1	118
Total liabilities	117	-	117	(86)	(31)	-	1	118

	Amounts subject to enforceable netting arrangements							
	Effect of offsetting in statement of financial position			Related items not offset				
As at 31 December 2019	Gross amounts	Amounts offset	Net amounts reported	Financial instruments	Financial collateral	Net amount	Amounts not subject to netting arrangements	Net amount reported in balance sheet
	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	95	-	95	(71)	(21)	3	3	98
Total assets	95	-	95	(71)	(21)	3	3	98
Derivative financial liabilities	89	-	89	(71)	(18)	-	3	92
Total liabilities	89	-	89	(71)	(18)	-	3	92

At 31 December 2020, the Company had not taken out any borrowings from credit institutions under repurchase agreements (2019: £45m). Where repurchase agreements are taken out, the Company continues to recognise debt securities in the balance sheet as the Company remains exposed to the risks and rewards of ownership. Repurchase arrangements are settled "delivery versus principal" and so are disclosed net of associated debt securities.

23. Fair Value measurement

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

Cash at bank and in hand, loans and receivables

For cash, loans and receivables, commercial paper, other assets, liabilities and accruals, their carrying amounts are considered to be as approximate fair values.

Investment property and company occupied property

Investment properties are valued, at least annually, at their highest and best use. Company occupied properties are valued annually on a vacant possession basis using third party valuers.

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

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

Derivative financial instruments

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

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.

For level 1 and level 2 investments, 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 certain circumstances, the Company does not receive pricing information from an external provider for its financial investments. In such circumstances the Company calculates fair value 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, judgement is required to establish fair values.

The principal assets classified as Level 3, and the valuation techniques applied to them, are described below.

Investment property

Investment property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS), and are undertaken by independent RICS registered valuers. Valuations are based on the comparative method with reference to sales of other comparable buildings and take into account the nature, location and condition of the specific property together with factoring in the occupational lease terms and tenant covenant strength as appropriate. The valuations also include an income approach using discounted future cash flows, which uses unobservable inputs, such as discount rates, rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease. The valuations at 31 December 2020 reflect equivalent yield ranges between 4.15% (2019: 4.25%) and 15.41% (2019: 12.30%).

Private fund structures

Loan funds are principally valued at the proportion of the Company's holding of the Net Asset Value (NAV) reported by the investment vehicle. Several procedures are employed to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model at 31 December 2020 range from 0.2% (2019: 0.6%) to 4.0% (2019: 6.0%). If necessary the Company will adjust the fund's reported NAV to the discounted cash flow valuation where this more appropriately represents the fair value of its interest in the investment.

Given the current ongoing economic uncertainty, the asset valuation techniques described above that rely on unobservable inputs are less certain, and additional sensitivity has been applied to the valuation of level 3 assets in this note on page 55.

Covid-19 has impacted financial markets with price volatility and changes in trading volumes. A review of the assets' fair value and their classification on the fair value hierarchy has been performed. There were no transfers into or out of fair value hierarchies as a result of this review.

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. The table does not include financial assets and liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Fair value hierarchy			
As at 31 December 2020	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Investment properties – land and buildings	**-**	**-**	**281**	**281**
Company occupied property– land and buildings	**-**	**-**	**19**	**19**
Available for sale financial assets:				
Shares and other variable yield securities and units in unit trusts	**299**	**1**	**109**	**409**
Debt securities and other fixed income securities	**879**	**2,298**	**247**	**3,424**
	1,178	**2,299**	**356**	**3,833**
Derivative assets at fair value through the profit and loss account	**-**	**97**	**-**	**97**
Total assets measured at fair value	**1,178**	**2,396**	**656**	**4,230**
Derivative liabilities at fair value through the profit and loss account	**-**	**118**	**-**	**118**
Total derivatives measured at fair value	**-**	**118**	**-**	**118**

	Fair value hierarchy re-presented[1]			
As at 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment properties – land and buildings	-	-	300	300
Company occupied property – land and buildings	-	-	19	19
Available for sale financial assets:				
Shares and other variable yield securities and units in unit trusts	251	-	122	373
Debt securities and other fixed income securities	1,225	2,060	244	3,529
	1,476	2,060	366	3,902
Derivative assets at fair value through the profit and loss account	-	98	-	98
Total assets measured at fair value	1,476	2,158	685	4,319
Derivative liabilities at fair value through the profit and loss account	-	92	-	92
Total derivatives measured at fair value	-	92	-	92

[1] Following a reassessment of the evidence of activity in bond markets required to meet the criteria for classification in the level 1 category, the 2019 fair value hierarchy has been re-presented to reclassify certain government debt securities from level 2 to level 1 with an impact of an increase to level 1 of £175m and an decrease to level 2 of the same amount.

A reconciliation of Level 3 fair value measurements of financial assets is shown in the table below.

	Shares and other variable yield securities and units in unit trusts	Debt securities and other fixed income securities	Land and buildings	Total
	£m	£m	£m	£m
Balance at 1 January 2019	184	387	328	899
Total gains or losses recognised in:				
Profit and loss account	3	2	(11)	(6)
Other comprehensive income	(7)	(11)	1	(17)
Purchases	10	22	10	42
Disposals	(68)	(156)	(9)	(233)
Balance at 31 December 2019	**122**	**244**	**319**	**685**
Total gains or losses recognised in:				
Profit and loss account	**(2)**	**(2)**	**(6)**	**(10)**
Other comprehensive income	**(5)**	**-**	**-**	**(5)**
Purchases	**10**	**117**	**19**	**146**
Disposals	**(16)**	**(112)**	**(32)**	**(160)**
Balance at 31 December 2020	**109**	**247**	**300**	**656**

The following table shows the level 3 available for sale financial assets, investment properties and company occupied property carried at fair value as at the balance sheet date, the main assumptions used in the valuation of these instruments and reasonably possible decreases in fair value based on reasonably possible alternative assumptions.

		Reasonably possible alternative assumptions			
		2020		2019 restated	
Available for sale financial assets and property	**Main assumptions**	**Current fair value £m**	**Decrease in fair value £m**	Current fair value £m	Decrease in fair value £m
Company occupied property - land and buildings[1]	Property valuation	**19**	**(2)**	19	(1)
Investment properties – land and buildings[1]	Cash flows; discount rate	**281**	**(25)**	300	(13)
Level 3 available for sale financial assets:					
Equity securities[2]	Cash flows; discount rate	**109**	**(1)**	122	(1)
Debt securities[2]	Cash flows; discount rate	**247**	**(4)**	244	(2)
Total		**656**	**(32)**	685	(17)

[1] The Company's property portfolio (including the company occupied property) is located in the UK. Reasonably possible alternative valuations have been determined using an increase of 50bps in the discount rate used in the valuation. This increase has been considered in light of the current level of uncertainty and a change of 50bps is considered a reasonably possible scenario. The 31 December 2019 sensitivity has been restated using a change of 25bps, which is considered a reasonably possible scenario at the time. The 2019 sensitivity reported in the 2019 Annual Report and Accounts used a change of 100bps, which, with hindsight, was more severe than market conditions at that time warranted.
[2] The Company's investment in financial assets classified at level 3 in the hierarchy are primarily investments in various private fund structures investing in debt instruments where the valuation includes estimates of the credit spreads on the underlying holdings. The estimates of the credit spread are based upon market observable credit spreads for what are considered to be assets with similar credit risk. Reasonably possible alternative valuations have been determined using an increase of 50bps in the credit spread used in the valuation. This increase has been considered in light of the current level of uncertainty and a change of 50bps is considered a reasonably possible scenario. The 31 December 2019 sensitivity has been restated using a change of 25bps, which is considered a reasonably possible scenario at the time. The 2019 sensitivity reported in the 2019 Annual Report and Accounts used a change of 100bps, which, with hindsight, was more severe than market conditions at that time warranted.

There were no transfers into or out of Level 3 during the period. There are no financial liabilities measured at fair value using Level 3 fair value measurements.

24. Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Company does not securitise any of its investments in financial instruments and does not create, promote or administer structured entities on behalf of third party investors. The Company therefore considers that it does not act as a sponsor for any structured entity.

However, the Company invests in entities created by and managed by external specialist investment managers where investments are pooled within an investment vehicle to provide a diversified exposure to particular classes of underlying investments. The use of these products allows the Company to broaden the diversification of its investment portfolio in a cost-efficient manner.

The Company is exposed to the risks of the underlying investment of the investment vehicles. The investment return from the structured entities is expected to reflect the returns from the underlying investments of the entity.

In addition, the Company has commitments for future undrawn subscriptions limited to the amounts set out in the subscription agreements. The Company has no obligations to provide any other additional funding or financial support to these entities. The Company has determined that its maximum exposure to structured entities is the sum of the carrying value and the undrawn commitments. These exposures at 31 December 2020 and 2019 are summarised in the tables below:

At 31 December 2020

Class of investments	**Nature of the underlying investments of the vehicle**	**Carrying value**	**Undrawn commitments**	**Exposure**
		£m	**£m**	**£m**
Mortgage backed securities	Mainly consists of domestic mortgage backed securities	**60**	**-**	**60**
Collateralised debt obligations	Structured debt security backed by bonds	**225**	**17**	**242**
Cash money market funds	Short term cash deposits	**299**	**-**	**299**
Other	Mainly consist of property funds	**142**	**17**	**159**
		726	**34**	**760**

The line items in the balance sheet in which the items above are included are as follows:

	£m
Investments - financial assets - equity securities	**407**
Investments - financial assets - debt securities	**319**
	726

At 31 December 2019

Class of investments	Nature of the underlying investments of the vehicle	Carrying value	Undrawn commitments	Exposure
		£m	£m	£m
Mortgage backed securities	Mainly consists of commercial mortgage backed securities	58	-	58
Collateralised debt obligations	Structured debt security backed by bonds	212	50	262
Cash money market funds	Short term cash deposits	251	-	251
Other	Mainly consist of property funds	165	25	190
		686	75	761

The line items in the balance sheet in which the items above are included are as follows:

	£m
Investments - financial assets - equity securities	372
Investments - financial assets - debt securities	314
	686

25. Reinsurers' share of provision for unearned premiums

The following changes have occurred in the reinsurers' share of provision for unearned premiums during the year:

	2020 £m	2019 £m
Reinsurers' share of provisions for unearned premiums at 1 January	**679**	694
Premiums ceded to reinsurers	**840**	804
Reinsurers' share of portfolio transfers	**1**	(52)
Outward reinsurance premiums	**841**	752
Insurer's share of premiums earned	**(860)**	(765)
Change in provision for unearned premiums, reinsurers' share	**(19)**	(13)
Exchange adjustment	**-**	(2)
Reinsurers' share of provision for unearned premiums at 31 December	**660**	679

26. Reinsurers' share of provision for outstanding claims

The following changes have occurred in the reinsurers' share of provision for outstanding claims during the year:

	2020 £m	2019 £m
Reinsurers' share of provisions for losses and loss adjustment expenses at 1 January	**1,192**	1,828
Total reinsurance recoveries received	**(464)**	(506)
Reinsurers' share of portfolio transfers	**2**	(172)
Reinsurers' share of claims paid	**(462)**	(678)
Reinsurers' share of total claims incurred	**521**	591
Change in the provision for claims, reinsurers' share	**59**	(87)
Disposal of UK Legacy	**-**	(551)
Unwind of discount	**4**	13
Exchange adjustment	**(5)**	(11)
Reinsurers' share of provisions for losses and loss adjustment expenses at 31 December	**1,250**	1,192

27. Current Tax

The current tax position of the Company as at 31 December is as follows:

	Asset		Liability	
	2020 £m	2019 £m	2020 £m	2019 £m
To be settled within 12 months	**1**	16	**2**	-
To be settled after 12 months	**-**	-	**1**	1
Net current tax position at 31 December	**1**	16	**3**	1

28. Deferred Tax

Deferred tax for the current year is based on a rate of 19.0% (2019: 17.0%)

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

	2020 £m	2019 £m
Net unrealised gains on investments	**(41)**	(26)
Tax losses and unused tax credits	**59**	61
Accrued costs deductible when settled	**73**	65
Retirement benefit obligations	**1**	1
Provisions and other temporary differences	**60**	52
Net deferred tax asset at 31 December	**152**	153

Provisions and other temporary differences arise predominately in respect of capital expenditure £58m (2019: £53m).

The movement in the net deferred tax assets recognised by the Company is as follows:

	2020	2019
	£m	£m
Net deferred tax position at 1 January	**153**	164
Amounts charged – Profit and loss account	**(13)**	(6)
Amounts charged - Other comprehensive income	**(5)**	(5)
Effect of change in tax rates - Profit and loss account	**17**	-
Deferred tax asset at 31 December	**152**	153

At the end of the reporting period, the Company had the following unrecognised tax assets and liabilities:

	2020		2019	
	Gross amount	Tax effect	Gross amount	Tax effect
	£m	£m	£m	£m
Trading tax losses	**1,068**	**203**	930	158
Capital tax losses	**1,236**	**234**	1,236	210
Deductible temporary differences	**151**	**29**	157	27
Unrecognised tax assets at 31 December	**2,455**	**466**	2,323	395

At the end of the reporting period, the Company has unused tax losses of £2,617m (2019: £2,523m). The Company's unused tax losses are made up of 'capital' losses of £1,236m (2019: £1,236m) and other 'income' losses of £1,381m (2019: £1,287m). A deferred tax asset of £59m (2019: £61m) has been recognised in respect of 'income' losses at 31 December 2020. No deferred tax asset has been recognised in respect of tax losses of £2,304m (2019: £2,167m) due to the unpredictability of future profit streams. It is unlikely that a deferred tax asset will ever be recognised in respect of the £1,236m (2019: £1,236m) capital losses due to UK exemptions. None of the income tax losses are time-barred (2019: none). Other tax losses (including capital tax losses and unused credits) may be carried forward indefinitely.

Net deferred tax assets of £152m (2019: £153m), that relate to tax jurisdictions in which the Company has suffered a loss in either the current or preceding period, have been recognised on the basis that future taxable profits will be available against which these can be utilised.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable.

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

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of downward movements in key assumptions on the value of the deferred tax asset is summarised below:

	2020	2019
	£m	£m
1% increase in combined operating ratio across all 7 years	**(16)**	(15)
1 year reduction in the forecast modelling period	**(18)**	(23)
50 basis points decrease in bond yields	**(6)**	(7)
1% decrease in annual premium growth	**(1)**	(1)

The relationship between the deferred tax asset and these sensitivities is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the above numbers will be indicative only.

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

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

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

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

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

The current tax and deferred income tax credited/(charged) to each component of other comprehensive income is as follows:

	Current Tax		Deferred Tax		Total	
	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m
Unrealised gains/(losses) on other financial instruments classified as available for sale	-	3	12	(2)	12	1
Remeasurement of net defined benefit pension liability	-	-	(17)	(3)	(17)	(3)
Total credit/(charge) to other comprehensive income	-	3	(5)	(5)	(5)	(2)

29. Tangible assets

Tangible assets is split between tangible assets owned and right-of-use assets as follows:

	2020	2019
	£m	£m
Tangible assets owned	34	25
Right-of-use assets	-	10
Total tangible assets	34	35

Tangible assets owned

	Fixtures and fittings, Equipment and Other	Total
Cost	£m	£m
At 1 January 2020	75	75
Additions	20	20
Disposals	(6)	(6)
At 31 December 2020	89	89
Depreciation		
At 1 January 2020	50	50
Depreciation on disposals	(3)	(3)
Charge for the year	4	4
At 31 December 2020	51	51
Impairment		
At 1 January 2020	-	-
Charge for the year	(4)	(4)
At 31 December 2020	(4)	(4)
Net carrying amount		
At 31 December 2020	34	34

	Fixtures, and fittings, Equipment and Other	Total
Cost	£m	£m
At 1 January 2019	75	75
Additions	1	1
Disposals	(1)	(1)
At 31 December 2019	75	75
Depreciation		
At 1 January 2019	46	46
Charge for the year	4	4
At 31 December 2019	50	50
Net carrying amount		
At 31 December 2019	25	25

Depreciation expense of £4m (2019: £4m) has been charged to administrative expenses within the profit and loss account.

Impairments of £4m (2019: £nil) have been charged to administrative expenses within the profit and loss account relating to tangible assets not expected to be utilised further due to the exiting of leased office space. Further information on the impairment assessment can be found in note 20.

Right-of-use assets

Right-of-use assets relate to other equipment.

	2020	2019
	£m	£m
Balance at 1 January	10	13
Depreciation charge for the year	(3)	(3)
Remeasurements	(7)	-
Balance at 31 December	-	10

30. Deferred Acquisition Costs

	2020	2019[1]
	£m	£m
Balance at 1 January	**429**	439
Acquisition costs during the year	**787**	839
Amortisation charge during the year	**(811)**	(827)
Changes in deferred acquisition costs	**(24)**	12
Portfolio transfers	**-**	(19)
Exchange adjustment	**2**	(3)
Balance at 31 December	**407**	429

[1] 2019 comparatives for acquisition costs during the year (£839m) and amortisation charge during the year (£(827)m) have been re-presented. There is no net impact on changes in deferred acquisition costs (£12m) as a result of this re-presentation.

31. Share Capital

	2020	2019
	£m	£m
Allotted, issued and fully paid		
4,859,811,537 ordinary A shares at 25p each (2019: 4,859,811,537 ordinary A shares at 25p each)	**1,215**	1,215
1 ordinary B share at US$1 each (2019: 1 ordinary B share at US$1 each)	**-**	-

The Company has two classes of shares, ordinary Class A shares of 25p each and ordinary Class B share of US$1. Each ordinary Class A share carries the right to one vote at general meetings of the Company, the right to receive dividend payments in accordance with the number of shares held and the right to participate in any distribution of capital of the Company including on a winding-up. Each ordinary Class B share carries no voting rights and no right to a dividend, but carries the right on winding-up of the Company to a distribution in priority to the Class A shares equivalent to the US$/£ exchange rate gain as set out in the Articles of Association, payable in Pounds Sterling or US Dollars.

32. Total Other Comprehensive Income

Year ended 31 December 2020	Revaluation reserve £m	Foreign currency translation reserve £m	Profit and loss account £m	Total shareholders' funds £m
Foreign exchange losses, net of tax	-	(1)	-	(1)
Fair value gains, net of tax	735	-	-	735
Pension – remeasurement of net defined benefit liability, net of tax	-	-	(34)	(34)
Movement in property revaluation, net of tax	-	-	-	-
Total other comprehensive expense for the year	735	(1)	(34)	700

Year ended 31 December 2019	Revaluation reserves £m	Foreign currency translation reserve £m	Profit and loss account £m	Total shareholders' funds £m
Foreign exchange gains, net of tax	-	(1)	-	(1)
Fair value losses, net of tax	(200)	-	-	(200)
Pension - remeasurement of net defined benefit liability, net of tax	-	-	(85)	(85)
Movement in property revaluation, net of tax	1	-	-	1
Total other comprehensive income for the year	(199)	(1)	(85)	(285)

33. Provision for unearned premiums

	2020 £m	2019 £m
Provisions for unearned premiums at 1 January	2,124	2,199
Premiums written	3,555	3,907
Portfolio transfers	5	(136)
Gross premiums written	3,560	3,771
Premiums earned	(3,561)	(3,829)
Changes in provision for unearned premiums	(1)	(58)
Exchange adjustment	6	(17)
Provision for unearned premiums at 31 December	2,129	2,124

34. Claims Outstanding

The following changes have occurred in the technical provisions - claims outstanding:

	2020 £m	2019 £m
Provisions for losses and loss adjustment expenses at 1 January	4,327	5,165
Total claims payments made in the year net of salvage and other recoveries	(2,189)	(2,500)
Gross portfolio transfers	12	(445)
Claims paid	(2,177)	(2,945)
Gross claims incurred and loss adjustment expenses	2,251	2,701
Change in the provision for claims	74	(244)
Disposal of UK Legacy	-	(551)
Unwind of discount	10	19
Exchange adjustment	21	(62)
Provisions for losses and loss adjustment expenses at 31 December	4,432	4,327

Claims outstanding include claims on certain classes of business which have been discounted. The total value of outstanding claims provisions less related reinsurance recoveries before discounting amounted to £3,438m (2019: £3,370m). The total value of gross outstanding claims provisions before discounting amounted to £4,932m (2019: £4,775m).

Discount assumptions

Claims on certain classes of business have been discounted as follows:

	Discount rate		Average period to settlement in years	
	2020	2019	**2020**	2019
Category	**%**	%		
Asbestos and environmental	**4.00**	4.00	**12**	12
Periodic payment orders	**4.00**	4.00	**19**	19

In determining the average number of years to ultimate claims settlement, estimates have been made based on the underlying claims settlement patterns.

As at 31 December 2020, the value of the discount on net outstanding claims reserves is £13m (2019: £16m), excluding annuities and periodic payment orders. All other factors remaining constant, a decrease of 1% in the discount rates would reduce the value of the discount by approximately £5m (2019: £5m).

As at 31 December 2020, the value of the discount on UK annuities is £246m (2019: £226m). A decrease of 1% in the real discount rate would reduce the value of the discount by approximately £30m (2019: £30m). The sensitivity calculation has taken into consideration the undiscounted reserves for each class of business and the respective average settlement period.

Sensitivities

Sensitivities in the table below show the impact on the net outstanding claims reserves of changes to key assumptions in relation to reserving risk and underwriting and claims risk. Whilst the range on the sensitivities was wider in the 2019 Annual Report and Accounts, the new set of metrics shown below are more tailored to the increased uncertainties and more aligned to the key risks as described in note 5.

	2020	2019
Impact on net outstanding claims reserves	**£m**	£m
Current year claims loss ratios frequency or severity assumptions +5%	**85 - 95**	100 - 110
Inflation being 1% higher than expected for the next 2 years	**45 - 55**	45 - 55

Net outstanding claims reserves for BI losses are not expected to be sensitive to changes in assumptions to the estimates underlying the gross claims reserves, including the number of eligible claimants and legal interpretations of eligibility, provided reinsurance contracts respond as expected

Claims development tables

The tables below present changes in the historical provisions for losses and loss adjustment expenses that were established in 2010 and the provisions for losses and loss adjustment expenses arising in each subsequent accident year. The tables are presented at current year average exchange rates on an undiscounted basis and have been adjusted for operations that have been disposed of.

The top triangle of the tables presents the estimated provisions for ultimate incurred losses and loss adjustment expenses for each accident year as at the end of each reporting period.

The lower triangle of the tables presents the amounts paid against those provisions in each subsequent accounting period.

The estimated provisions for ultimate incurred losses change as more information becomes known about the actual losses for which the initial provisions were set up and as the rates of exchange change.

Claims development table gross of reinsurance

	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
Estimate of cumulative claims												
At end of accident year	3,545	1,001	1,156	1,112	1,127	1,342	1,266	1,555	1,433	1,645	1,320	
One year later	3,594	1,036	1,123	1,188	1,517	1,316	1,279	1,454	1,472	1,616		
Two years later	3,537	1,022	1,147	1,163	1,477	1,260	1,246	1,455	1,475			
Three years later	3,536	1,013	1,134	1,128	1,454	1,196	1,247	1,471				
Four years later	3,519	991	1,112	1,132	1,401	1,202	1,245					
Five years later	3,410	981	1,123	1,110	1,381	1,205						
Six years later	3,528	986	1,110	1,104	1,387							
Seven years later	3,470	975	1,107	1,088								
Eight years later	3,438	978	1,105									
Nine years later	3,449	978										
Ten years later	3,434											
2020 movement	**15**	**-**	**2**	**16**	**(6)**	**(3)**	**2**	**(16)**	**(3)**	**29**		**36**
Claims paid												
One year later	1,139	421	571	543	569	614	541	664	634	565		
Two years later	768	205	205	178	203	224	198	277	230			
Three years later	520	129	102	92	137	109	117	150				
Four years later	407	98	74	78	145	82	81					
Five years later	149	41	65	54	104	77						
Six years later	89	25	22	31	61							
Seven years later	171	12	17	31								
Eight years later	1	6	10									
Nine years later	38	11										
Ten years later	12											
Cumulative claims paid	**3,294**	**948**	**1,066**	**1,007**	**1,219**	**1,106**	**937**	**1,091**	**864**	**565**		
Reconciliation to the balance sheet												
Current year provision before discounting	140	30	39	81	168	99	308	380	611	1,051	1,320	4,227
Exchange adjustment to closing rates												(20)
Discounting												(22)
Annuities												247
Present value recognised in the balance sheet												**4,432**

Claims development table net of reinsurance

	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
Estimate of cumulative claims												
At end of accident year	2,927	863	1,029	1,109	958	1,056	920	1,207	1,052	1,033	879	
One year later	2,950	860	1,009	1,198	1,296	984	927	1,197	1,096	1,041		
Two years later	2,852	837	1,032	1,176	1,293	972	913	1,175	1,103			
Three years later	2,834	813	1,005	1,145	1,262	920	915	1,182				
Four years later	2,816	803	989	1,125	1,231	916	917					
Five years later	2,748	800	992	1,120	1,218	919						
Six years later	3,011	795	985	1,115	1,222							
Seven years later	2,974	793	984	1,113								
Eight years later	2,977	793	983									
Nine years later	2,978	792										
Ten years later	2,983											
2020 movement	**(5)**	**1**	**1**	**2**	**(4)**	**(3)**	**(2)**	**(7)**	**(7)**	**(8)**		**(32)**
Claims paid												
One year later	1,027	317	510	604	486	531	410	558	466	409		
Two years later	503	153	178	162	181	110	148	204	150			
Three years later	461	117	91	93	125	90	80	122				
Four years later	363	89	80	70	130	76	74					
Five years later	115	44	57	52	94	56						
Six years later	86	16	22	29	48							
Seven years later	168	15	12	21								
Eight years later	9	6	9									
Nine years later	21	11										
Ten years later	12											
Cumulative claims paid	**2,765**	**768**	**959**	**1,031**	**1,064**	**863**	**712**	**884**	**616**	**409**		
Reconciliation to the balance sheet												
Current year provision before discounting	218	24	24	82	158	56	205	298	487	632	879	**3,063**
Exchange adjustment to closing rates												**(8)**
Discounting												**(13)**
Annuities												**140**
Present value recognised in the balance sheet												**3,182**

35. Provisions for other risks

	2020	2019
	£m	£m
Provision for pensions and similar obligations	7	7
Reorganisation provisions	24	10
Other provisions	26	25
Total provisions at 31 December	57	42

Of the above £15m (2019: £17m) is due to be settled outside of 12 months.

Reorganisation provisions include £19m (2019: £9m) relating to redundancy costs for plans which were announced to employees before 31 December 2020 and are expected to be settled before 31 December 2021.

Other provisions includes £12m (2019: £13m) held relating to dilapidations and refurbishments, the costs relating to which will be borne across the period over which the leases expire, which is up to 20 years.

The balance consists of a number of provisions none of which are individually significant.

See note 15 for further information regarding the pension and post-employment benefit obligations.

Movements in other provisions

	2020	2019
	£m	£m
Provisions at 1 January	35	37
Charged to profit and loss account	71	31
Utilised	(53)	(30)
Released	(3)	(3)
Provisions at 31 December	50	35

36. Borrowings

	2020	2019
	£m	£m
Amounts owed to credit institutions	7	65

Borrowings during the year comprised secured loans from credit institutions and bank overdrafts which are repayable on demand.

37. Other debtors

Other debtors includes £331m (2019: £261m) in respect of defined benefit pension schemes in surplus and £1m (2019: £16m) in respect of corporation tax recoverable.

38. Other creditors

Other creditors includes £3m (2019: £1m) in respect of corporation tax payable.

39. Finance leases as a lessor

Prior to 2019, the Company had sub-let office floor space for which the head leases have been presented as part of the land and buildings right-of-use assets upon IFRS 16 transition. The sub-leases have been classified as finance leases because the sub-lease is for the whole remaining term of the head lease. The net investments in the sub-leases have been reported within other debtors.

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

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

	Land and buildings	
	2020	2019
	£m	£m
Less than one year	2	2
One to two years	2	2
Two to three years	2	2
Three to four years	2	2
Four to five years	2	2
More than five years	0	2
Total undiscounted lease receivable	10	12
Unearned finance income	(1)	(1)
Net investment in the lease	9	11

40. Portfolio transfers

On 1 January 2019, the Company portfolio transferred its European insurance business to its subsidiary RSA Luxembourg S.A. (RSAL) under a Part VII legal arrangement. As a result of this transfer, RSAL became the insurer for risks previously underwritten through the Company's European branch network.

Consequently, £136m of gross premiums written were cancelled representing the value of the unearned premiums at the date of transfer and associated £(52)m outward reinsurance premiums and £(19)m of deferred acquisition costs were reimbursed by RSAL. The gross claims outstanding reserve of £445m and the corresponding reinsurers' share of £(172)m in respect of the transferred European business were de-recognised and treated as settled at the date of the transfer. The overall impact on the profit and loss account was £nil.

Further information can be found in the portfolio transfers accounting policy in note 3.

41. Capital commitments

The estimated amount of capital commitments contracted but not provided for in these financial statements is £49m (2019: £9m).

The Company's significant capital commitments in respect of investment property, tangible assets and intangible assets are detailed as follows:

	2020	2019
	£m	£m
Investment property	23	-
Tangible assets	8	1
Intangible assets	18	8
Total	49	9

Funding commitments to structured entities

The future commitments to structured entities are disclosed in note 24.

42. Contingent Liabilities

The Company receives liability claims and may also become involved in actual or threatened litigation, during the ordinary course of its business operations. The Company reviews and, in the opinion of the directors, maintains sufficient provisions, capital and reserves in respect of such claims.

In addition, the Company has given guarantees, indemnities and warranties in relation to the disposals of its businesses and business interests to external parties. These are kept under review and, in the opinion of the directors, no material loss will arise in respect of these guarantees, indemnities and warranties.

Royal & Sun Alliance Insurance plc has guaranteed on behalf of RSA Insurance Group plc the following:

- the US $9m 8.95% subordinated guaranteed bonds due 15 October 2029; and
- the issue of £400m 5.125% fixed rate reset guaranteed subordinated notes. There is an option to repay the notes on specific dates from 10 October 2025.

43. Assets expected to be settled after more than 12 months

As disclosed in note 3, the Company has certain line items in the balance sheet with expected settlement periods across both less than 12 months and more than 12 months.

Amounts expected to be settled after more than 12 months for these asset line items are detailed as follows:

	2020	2019
	£m	£m
Shares and other variable yield securities and units in unit trusts	110	122
Debt securities and other fixed income securities	2,974	2,796
Loans and deposits with credit institutions	241	178
Reinsurers' share of claims outstanding	808	931
Debtors arising out of direct insurance operations – intermediaries	212	296
Amounts owed by Group undertakings	731	834
Other debtors	411	319

44. Parent companies

The Company's immediate parent company is Royal Insurance Holdings Ltd, a company incorporated in England and Wales. Royal Insurance Holdings Ltd's registered office address is St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL.

The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 17th Floor, 20 Fenchurch Street, London, EC3M 3AU.

Royal & Sun Alliance Insurance plc does not prepare consolidated financial statements on the basis that its results and those of its subsidiaries are consolidated within the aforementioned financial statements.

45. Post Balance Sheet events

On 18 January 2021 the Group's shareholders voted to approve a takeover proposal received from a consortium of two companies, Intact Financial Corporation and Tryg. Further steps are required to complete the transaction and the Group, and the Company, continue to operate on an independent basis until the sale is complete.

46. Subsidiaries

The Company's subsidiaries at 31 December 2020 were as follows:

Name and country of incorporation	Registered office addresses	Class of shares held	Percentage Holding
Bahrain			
Royal & Sun Alliance Insurance (Middle East) BSC (c)	Impact House, Building, office no. 21, 2nd floor, Building no. 662, Road no. 2811, Block no. 428, Al Seef, Manama, Kingdom of Bahrain	Ordinary	50.00
Brazil			
Royal & Sun Alliance Insurance plc - Escritório de Representação no Brasil Ltda. [1]	Avenida Major Sylvio de Magalhães Padilha, 5200, America Business Park, Ed. Dallas, Conj. 31, Sala 02, Jardim Morumbi, 05693-000, City of São Paulo, State of São Paulo, Brazil	Ordinary	100.00
Canada			
10122033 Canada Inc.	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Common	100.00
10122033 Canada Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class A Preferred	100.00
10622923 Canada Limited	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
10622923 Canada Limited [3]	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Preferred	100.00
2029974 Ontario Inc. [6]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class A Common	100.00
2029974 Ontario Inc. [6]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class B Common	100.00
2029974 Ontario Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class C Special	100.00
2029974 Ontario Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class D Special	100.00
2029974 Ontario Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class E Special	100.00
2029974 Ontario Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class N Special	100.00
2029974 Ontario Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class S Special	100.00
2029974 Ontario Inc. [6]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class V Special	100.00
3342484 Canada Limited	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
8301140 Canada Limited	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
8301140 Canada Limited [3]	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Preferred	100.00
Ascentus Insurance Ltd.	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
Canadian Northern Shield Insurance Company	555 West Hastings Street, Suite 1900, Vancouver BC V6B 4N6, Canada	Common	100.00
Coast Underwriters Limited [3]	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class 1 Preferred Unlimited	100.00
Coast Underwriters Limited [3]	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class 2 Preferred Unlimited	100.00
Coast Underwriters Limited	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class A	85.42
Coast Underwriters Limited [3]	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class B1	100.00
Coast Underwriters Limited [3]	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class B2	100.00
Coast Underwriters Limited [3]	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class B3	100.00
D.L. Deeks Insurance Services Inc.	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Ordinary	100.00
Deeks Investments Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class A Preference	100.00
Deeks Investments Inc.	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class B Preference	100.00
Deeks Investments Inc.	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Class C Preference	100.00
Deeks Investments Inc. [3]	95 Mural Street, Suite 400, Richmond Hill ON L4B 3G2, Canada	Common	100.00
Johnson Inc.	Fort William Building, 10 Factory Lane, St. John's NL A1C 6H5, Canada	Series A Common	100.00
Johnson Inc.	Fort William Building, 10 Factory Lane, St. John's NL A1C 6H5, Canada	Series B Common	100.00
MRM Solutions Limited	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class A Common	100.00

Name and country of incorporation	Registered office addresses	Class of shares held	Percentage Holding
MRM Solutions Limited [3]	208-4940 No. 3 Road, Richmond BC V6X 3A5, Canada	Class B Common	100.00
Quebec Assurance Company	2475 Laurier Blvd., Quebec City, Québec, G1T 1C4, Canada	Common Shares	100.00
Roins Financial Services Limited	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
Roins Financial Services Limited [3]	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Preference	100.00
Roins Holding Limited	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
Royal & Sun Alliance Insurance Company of Canada [3]	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Class A Preferred	100.00
Royal & Sun Alliance Insurance Company of Canada	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	99.996
RSA Travel Insurance Inc.	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
Shaw Sabey & Associates Ltd [2]	1800 - 401 West Georgia Street, Vancouver BC V6B 5A1, Canada	Common Unlimited	25.00
The Johnson Corporation	Fort William Building, 10 Factory Lane, St. John's NL A1C 6H5, Canada	Common	100.00
Unifund Assurance Company	Fort William Building, 10 Factory Lane, St. John's NL A1C 6H5, Canada	Common	100.00
Unifund Assurance Company [3]	Fort William Building, 10 Factory Lane, St. John's NL A1C 6H5, Canada	Preferred	100.00
Unifund Claims Inc.	Fort William Building, 10 Factory Lane, St. John's NL A1C 6H5, Canada	Common	100.00
Western Assurance Company	18 York Street, Suite 800, Toronto ON M5J 2T8, Canada	Common	100.00
Denmark			
Codan A/S	Codanhus, Gammel Kongevej 60, DK-1790 Kobenhavn V, Denmark	Ordinary	100.00
Codan Forsikring A/S	Codanhus, Gammel Kongevej 60, DK-1790 Kobenhavn V, Denmark	Ordinary	100.00
Forsikringsselskabet Privatsikring A/S	Codanhus, Gammel Kongevej 60, DK-1790 Kobenhavn V, Denmark	Ordinary	100.00
Guernsey			
Insurance Corporation of the Channel Islands Limited [1]	Dixcart House, Sir William Place, St. Peter Port, Guernsey, GY1 4EY	Ordinary	100.00
Insurance Corporation Service Company Limited	Dixcart House, Sir William Place, St. Peter Port, Guernsey, GY1 4EY	Ordinary	100.00
India			
Royal & Sun Alliance IT Solutions (India) Private Limited [1]	Rider House, Plot No.136, Sector 44, Gurgaon , Haryana, 122002, India	Ordinary	100.00
RSA Actuarial Services (India) Private Limited [1]	First Floor, Building 10 C, Cyber City Complex, DLF Phase II, Gurgaon , Haryana, 122002, India	Ordinary	100.00
Ireland			
123 Money Limited [3]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B1 Ordinary	100.00
123 Money Limited [3]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B2 Ordinary	100.00
123 Money Limited [3]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B3 Ordinary	100.00
123 Money Limited [3]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B4 Ordinary	100.00
123 Money Limited [3]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B5 Ordinary	100.00
123 Money Limited [3]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	C Ordinary	100.00
123 Money Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	Ordinary	100.00
123 Money Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	€1 redeemable shares	100.00
Benchmark Underwriting Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	Ordinary	100.00
EGI Holdings Limited [1]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	Ordinary	100.00
RSA Insurance Ireland DAC [1]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	Ordinary	100.00

Name and country of incorporation	Registered office addresses	Class of shares held	Percentage Holding
RSA Overseas Holdings (No 1) Unlimited Company	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	Common	100.00
RSA Overseas Holdings (No. 2) Unlimited Company	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	Common	100.00
RSA Reinsurance Ireland Limited [1]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	Ordinary	100.00
RSA Broker Motor Insurance Limited (Previously Sertus Underwriting Limited)	RSA House, Dundrum Town Centre, Sandyford Road, Dundrum , Dublin 16, Ireland	Ordinary	100.00
Isle of Man			
Royal Insurance Service Company (Isle of Man) Limited	Jubilee Buildings, 1 Victoria Street, Douglas, IM99 1BF, Isle of Man	Ordinary	100.00
RSA Isle of Man No.1 Limited [1]	33-37 Athol Street, Douglas, Isle of Man, IM1 1LB, Isle of Man	Ordinary	100.00
Tower Insurance Company Limited	Jubilee Buildings, 1 Victoria Street, Douglas, IM99 1BF, Isle of Man	Ordinary	100.00
Luxembourg			
RSA Luxembourg S.A. [1]	40 rue du Cure, L-1368 Luxembourg	Ordinary	100.00
Netherlands			
GDII – Global Direct Insurance Investment V.O.F	Wilhelminakeade 97-99, 3072 AP Rotterdam, Netherlands	Partnership interest	
IDIP Direct Insurance B.V.	20 Fenchurch Street, London, England, EC3M 3AU, United Kingdom	Ordinary	100.00
Intouch Insurance Group B.V. [1]	20 Fenchurch Street, London, England, EC3M 3AU, United Kingdom	Ordinary	100.00
Royal Insurance Global B.V. [1]	Wilhelminakeade 97-99, 3072 AP Rotterdam, Netherlands	Ordinary	100.00
RSA Overseas (Netherlands) B.V.	20 Fenchurch Street, London, England, EC3M 3AU, United Kingdom	Ordinary	100.00
RSA Overseas Holdings B.V.	20 Fenchurch Street, London, England, EC3M 3AU, United Kingdom	Ordinary	100.00
Oman			
Al Ahlia Insurance Company SAOG [5]	PO Box 1463, PC112, Ruwi, Oman	Ordinary	52.50
Saudi Arabia			
Al Alamiya for Cooperative Insurance Company [5]	Office No.203, 2nd Floor, Home Centre Building, Tahlia Street, Suleymaniyah, Riyadh, Kingdom of Saudi Arabia, Saudi Arabia	Ordinary	50.07
Sweden			
CAB Group AB [2]	Stortorget 11, S-702 11 Örebro, Sweden	Ordinary	27.27
Holmia Livforsakring AB	c/o Trygg-Hansa Försäkring Filial, Fleminggatan 18,10626, Stockholm, Sweden	Ordinary	100.00
United Kingdom			
Alliance Assurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Centrium Management Company Limited [1 2]	5th Floor, United Kingdom House, 180 Oxford Street, London, England, W1D 1NN, United Kingdom	Ordinary	31.45
Eurotempest Limited [1 2]	c/o UCL Business Plc, The Network Building 97, Tottenham Court Road, London, England, W1T 4TP, United Kingdom	Ordinary	33.33
Hempton Court Manco Limited [1 2 4]	7 Seymour Street, London, W1H 7JW	Ordinary	66.66
National Vulcan Engineering Insurance Group Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Non-Destructive Testers Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Polaris U.K. Limited [1 2]	New London House, 6 London Street, London, England, EC3R 7LP, United Kingdom	Ordinary	25.38
Punchbowl Park Management Limited [1 2 4]	10 Buckingham Gate, London, England, SW1E 6LA, United Kingdom	Ordinary	65.09
R&SA Global Network Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	64.00
Royal & Sun Alliance Insurance (Global) Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Royal & Sun Alliance Property Services Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00

Name and country of incorporation	Registered office addresses	Class of shares held	Percentage Holding
Royal & Sun Alliance Reinsurance Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Royal Insurance (U.K.) Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Royal International Insurance Holdings Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	£1.00 Ordinary	100.00
Royal International Insurance Holdings Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	US$1.00 Ordinary	100.00
Roysun Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
RSA Finance [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
RSA Law Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary A	90.00
RSA Northern Ireland Insurance Limited	Law Society House, 90-106 Victoria Street, Belfast, Northern Ireland, BT1 3GN	Ordinary	100.00
Sun Alliance and London Insurance Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Sun Alliance Insurance Overseas Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Sun Insurance Office Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
The Globe Insurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
The London Assurance	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
The Marine Insurance Company Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
The Sea Insurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
Westgate Properties Limited [1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Ordinary	100.00
United States of America			
Royal & Sun Alliance Insurance Agency Inc.	Wall Street Plaza, 88 Pine Street, New York, NY 10005, United States	Common	100.00

1. Directly owned
2. Indicates that the holding represents an Investment or is an Associate directly or indirectly of the company
3. Indicates ownership of non-voting shares
4. There is no subsidiary where the parent holds less than 50% of the voting rights. There are no entities where the Company holds more than 50% of the voting rights which are not subsidiaries other than Punchbowl Park Management Limited and Hempton Court Manco Limited.
5. In relation to Al Ahlia Insurance Company SAOG (listed on the Muscat Securities Market, Oman Stock Exchange) and Al Alamiya for Cooperative Insurance Company (listed on the Tadawul, Saudi Stock Exchange), the percentage held relates to the actual percentage of the share capital held and not the effective percentage held (which is 26.25% and 25.04% respectively).
6. Johnson Inc. holds all of the voting shares in 2029974 Ontario Inc. through the following share classes: Class A Common (0.0016% voting), Class B Common (0.0033% voting), Class V Special (99.9950% voting).

As at 31 December 2020 the company had Branches in Argentina, Belgium, China, DIFC (Dubai), France, Germany, Greece, Ireland, Netherlands and Norway.