

Markel International Insurance Company Limited.

**Annual Report and Financial Statements
for the year ended 31 December 2019**

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Directors and Administration

Board of Directors

Ralph C Snedden (Chair)
Simon C Barrett
Andrew J Davies
James Hastings
Paul H Jenks
Nicholas J S Line
Ian Marshall
John W J Spencer
William D Stovin
Anne Whitaker
Simon Wilson

Company Secretary

Lara S Teesdale

Registered office

20 Fenchurch Street
London
EC3M 3AZ

Investment manager

Markel Gayner Asset Management Corporation

Bankers

Bank of New York
Barclays Bank plc
Citibank N.A.
Royal Trust
Northern Trust

Registered number

The Company's registered number is 0966670 (England and Wales).

Registered Auditor

KPMG LLP, London

Lawyers

Norton Rose Fulbright LLP, London

Strategic Report

The Directors submit their Strategic Report for Markel International Insurance Company Limited ("the Company") for the year ended 31 December 2019.

Review of the business

The Company is a subsidiary of Markel Capital Holdings Limited ("MCH"). Its ultimate holding company is Markel Corporation ("Markel"), which is incorporated in Virginia in the United States and its ultimate European Economic Area ("EEA") parent company is Markel International Holdings Limited ("MINT"). The Company is incorporated in the UK. The Company's principal activity is the transaction of general insurance from its office in London and its branch operation in Switzerland, in addition to overseas operations in Latin America and Dubai. Markel (UK) Limited also underwrites on behalf of the Company through its UK branch network.

In response to the UK's decision to leave the European Union ("Brexit"), Markel established a regulated insurance carrier, Markel Insurance Societas Europaea ("MISE"), in Munich, Germany. On 29 March 2019 the UK High Court approved the transfer of the Company's legacy EEA exposures, claims and policies to MISE to provide certainty for the Company's policyholders if the Company were to be prevented from paying claims and administering policies post Brexit. Since this date the Company has ceased writing business through its branch operations in Spain, Netherlands and Germany.

The Company holds Surplus Lines Licences and is an accredited reinsurer in most US States. It is also able to write general insurance in a number of other overseas territories.

Business profile and units

The Company operates six underwriting units, namely Marine & Energy; Specialty & Financial Lines; Reinsurance; Markel Assurance; National Markets; and Latin America.

Marine & Energy

A worldwide portfolio including marine primary and excess coverage for liability, hull, war, terrorism, specie, ports and terminals, marine trades, cargo risks, and upstream and midstream oil and gas risks.

Marine

Coverage includes primary and excess coverage for liability, hull, war, terrorism, specie and cargo risks worldwide, handling a comprehensive range of risks for multinational companies, national industries and private individuals.

The cargo account comprises a broad portfolio of transit and storage risk covering most industries on a global basis. The hull account covers physical damage to ocean-going tonnage, yachts, building risks and mortgagee's interest. The liability account provides coverage for a broad range of energy liabilities. The terrorism account covers physical damage, business interruption and contingency losses directly caused by acts of terrorism, war and political violence. The war account offers coverage for marine and aviation war across all vessel types and tonnages. The specie account includes coverage for fine art, exhibition business and other aspects of valuable item insurance.

Energy

Offers coverage on a worldwide basis for all aspects of upstream and midstream oil and gas activities. Coverage includes business interruption or loss of production income, construction of energy related structures, control of well and physical damage to installations.

Specialty and Financial Lines

A worldwide portfolio of primary and excess coverage for personal accident, contingency and entertainment, equine and livestock, professional and financial risks, cyber, and trade credit, political risk and surety.

Personal Accident, Contingency and Entertainment

The personal accident account focuses upon London market high risk, sports, schemes, affinity, group personal accident and and business travel, offering bespoke insurance solutions.

The contingency team underwrites a broad spectrum of London market non-appearance and event cancellation business.

The entertainment account offers a broad book of film and media insurance, including advertising agents insurance, commercial producers insurance, film production insurance, and both Employers and Public Liability coverage for companies involved in film shoots.

Equine and Livestock

This team underwrites equine and livestock insurance with a diverse range of coverage for bloodstock and livestock worldwide.

The equine account offers coverage for the widest range of needs from individual horse owners up to the largest breeding and racing operations.

The livestock account provides individually tailored insurance solutions for the largest livestock companies, having operations in several countries. Coverage includes cattle, zoos and aquaria, poultry, pigs and animals in transit.

Professional and Financial Risks

This team underwrites traditional and emerging professional indemnity, management liability, financial institutions, and specialist risk areas such as patents, libel & slander, data breach, and electronic (cyber) risks.

The professional indemnity account services most core and regulated professions including accountants, architects, engineers and financial advisors.

The management liability account spans a wide range of industries and coverage includes directors' and officers' liability (D&O), employment practices liability (EPL) and limited liability partnership (LLP) cover.

Financial institutions insurance can provide cover for areas including bankers blanket bond, cash in transit, and commercial crime. Cover can be stand alone or as a blended package including bankers blanket bond, professional indemnity and D&O.

The Professional and Financial Risks team writes business on a worldwide basis, limiting exposure in the United States.

Cyber

The cyber account targets a wide spectrum of industries from professional services to healthcare, offering specialist cover for both first and third party losses on a modular basis. The cyber account covers a variety of exposures including privacy, data breach and electronic risks.

Trade Credit, Political Risk and Surety

This team underwrites trade credit, political risk and contract frustration, and surety insurance, protecting sellers worldwide from the risk of buyer insolvency and other forms of counterparty risk.

The trade credit account coverage includes prepayment cover, insolvency and default, captive reinsurance, syndicated co-insurance solutions and financial institutions. Policies are designed to provide clients with certainty of cover and are underwritten with the aim of establishing a long-term partnership with the insured.

The political risk and contract frustration account has a broad range of coverage including insolvency or default by either a public or privately owned entity, licence cancellation, aircraft and vessel repossession, mortgage rights insurance and currency inconvertibility and exchange transfer.

The surety account coverage includes both contract bonds and commercial bonds. Whilst embedded within construction, surety bonds can be utilised across a wide variety of trade sectors and international markets.

Reinsurance

This unit includes international casualty treaty plus international and North American property treaty business.

Casualty Treaty

The casualty treaty team underwrites a diversified account, including general liability, professional indemnity, directors' and officers' liability and medical malpractice. The portfolio is worldwide, excluding United States domiciled business.

Property Treaty

Property treaty reinsurance is provided on an excess of loss and proportional basis for per risk and catastrophe exposures. The property treaty account covers a wide diversity of exposures in the US and internationally and can tailor this to meet the specific needs of cedants.

Market Assurance

Market Assurance is focused on large accounts and complex risks, providing casualty, professional liability, marine and property coverage for both privately-held companies and publicly-traded companies.

National Markets

The National Markets unit offers a full range of professional liability products, including professional indemnity, directors' and officers' liability and employment practices liability. In addition, coverage is provided for small to medium-sized commercial property risks on both a stand-alone and package basis. The branch offices provide insureds and brokers with direct access to decision-making underwriters who possess specialised knowledge of their local markets. The unit also underwrites certain niche liability products such as coverages for social welfare organisations.

The National Markets unit also includes business written through Abbey Protection Group ("Abbey"). Abbey sells and underwrites insurance products which provide protection against legal expenses and other professional fees incurred by clients as a result of legal actions and HMRC investigations. It also provides legal, human resources and specialist tax consultancy services.

Latin America

The Company's operations in Latin America transacted reinsurance business on a range of product lines including accident and health, property and surety. The Company has scaled back its operations in Latin America and only writes surety business on an ongoing basis.

Results and performance

The results of the Company for the year, as set out on pages 19 to 21 show a profit on ordinary activities before taxation of \$112.2m (2018, profit of \$51.4m). Shareholder's funds as at 31 December 2019 were \$561.9m (2018, \$508.1m).

The Company reported an underlying underwriting loss of \$0.7m for the year (2018, profit of \$22.0m). This represents a combined ratio of 100.2% (2018, 95.6%). The underwriting result has been adversely impacted by \$47.5m of natural catastrophe net losses during the third and fourth quarters of 2019 (typhoon Hagabis, typhoon Faxai, and hurricane Dorian) and a deterioration of \$5.0m in relation to prior year natural catastrophe losses. While none of these catastrophe losses individually or in total exceeded the Company's risk appetite for market events of this size, they contributed 12.4% to the combined ratio.

These losses were offset by a release from prior year reserves of \$65.8m (2018, \$75.4m). This release is a result of more favourable claims development than originally anticipated and the work of our claims department in dealing with claims in an expeditious manner.

Gross written premiums of \$548.9m for the year represent a decrease on prior year of 20.3%.

The investment return of \$109.0m comprises income of \$21.6m, net realised gains of \$36.4m and unrealised gains on the equity portfolio of \$50.9m.

The Company's operating performance and Statement of Financial Position remains strong and this was recognised by AM Best and Standard and Poor's, who maintained their ratings at A (Excellent) and A (Strong), respectively.

Key Performance Indicators

Income Statement	2015	2016	2017	2018	2019
	\$m	\$m	\$m	\$m	\$m
Gross written premiums	503.4	451.4	570.3	688.4	548.9
Net written premiums	238.5	363.0	464.8	524.2	439.4
Retention rate	47.4%	80.4%	81.5%	76.1%	80.1%
Net earned premiums	271.9	372.1	422.9	492.6	424.8
Underlying underwriting result (1)	44.5	34.6	(115.1)	22.0	(0.7)
Loss and LAE ratio	25.3%	42.3%	84.5%	50.1%	57.4%
Expense ratio	58.3%	48.4%	42.7%	45.5%	42.8%
Combined ratio	83.6%	90.7%	127.2%	95.6%	100.2%
Investment return	39.1	51.2	82.6	23.0	109.0
Investment yield	2.6%	3.9%	6.3%	1.8%	8.9%
Profit/(loss) on ordinary activities (2)	98.2	99.8	(32.0)	51.4	112.2
Statement of Financial Position	2015	2016	2017	2018	2019
	\$m	\$m	\$m	\$m	\$m
Financial investments (3)	1,375.1	1,245.0	1,350.9	1,267.2	1,196.1
Reinsurers' share of claims outstanding	615.9	557.2	500.8	550.0	492.0
Gross claims outstanding	1,344.9	1,192.5	1,332.2	1,339.8	1,157.8
Net claims outstanding	729.0	635.3	831.4	789.8	665.8
Shareholder's Equity	580.7	618.7	542.9	508.1	561.9
Required Capital (4)	255.6	323.0	368.0	331.5	239.0

(1) excluding movement on equalisation provision (applicable only in 2015)

(2) profit/(loss) on ordinary activities is equal to profit before taxation for all years.

(3) excluding investments in subsidiaries

(4) 2015 calculated as Individual Capital Guidance (ICG) under Solvency I, for 2016 onwards calculated as 1 year Solvency Capital Requirement ("SCR") under Solvency II

Financial success is measured by growth in shareholder's equity over time subject to the payment of dividends. This reflects the impact of both underwriting and investment performance and is consistent with Markel's key financial goal of building shareholder value. Underwriting performance is measured by underwriting profit or loss and combined ratio, whilst investment performance is measured by total investment return.

Business environment and future developments

With disciplined underwriting and its strong financial condition the Company is in an excellent position to capitalise on opportunities as they arise. The Company will continue to apply Markel's underwriting discipline of underwriting for profit rather than volume and, accordingly, will decline business where the rates are not acceptable.

The Company will continue to look to develop new lines of business and markets, within the parameters of the overall underwriting strategy. The Company invests in high-quality corporate, government and municipal bonds, as well as a diverse equity portfolio and plans to continue this investment strategy in 2020.

From 28 November 2017, the Company has fully reinsured all business written by EC Insurance Company Limited ("ECIC"), a fellow subsidiary of MCH. On 5 March 2020 and 6 March 2020 the High Courts of the UK and Jersey respectively granted approval for a part VII transfer whereby the Company will assume all insurance obligations of ECIC effective 20 March 2020. Through the execution of this part VII transfer, the Company will have a modest increase in exposure to external counterparties but no net impact to the existing technical provisions.

Going concern

No material uncertainties that cast doubt about the ability of the Company to continue as a going concern have been identified by the Directors.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Principal risks and uncertainties

The Company has a risk register detailing the risks to which it is exposed, which includes all business underwritten by the Company. Risks are grouped under the following categories:

- Underwriting Risk
- Reserving Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Group Risk
- Operational Risk

The risk and capital management note (note 2 of these Financial Statements) provides a detailed explanation of the above risk categories.

There are currently 25 risks in the risk register. A formal review by the Risk and Capital Committee and the Company Board of Directors ("the Board") occurs at least annually to ensure that the risk register identifies all the risks to which the Company is exposed. Key controls are identified to mitigate each risk and quarterly confirmation is sought from the owners of these controls that they are in place and are operating effectively.

The Risk and Capital Committee meets quarterly to consider Key Risk Indicators and any risk issues that have arisen. These are summarised in the Chief Risk Officer's quarterly report to the Company Board.

An Own Risk and Solvency Assessment report is produced being a forward looking assessment of the risk profile and adequacy of the Company's capital to meet solvency needs over the business planning time

horizon. The Company is in compliance with Solvency II.

The Directors have considered the ongoing emergence and spread of coronavirus (COVID-19) and assessed the potential impact or loss to the business arising from Underwriting Risk, Market Risk and Operational Risks. In respect of Underwriting Risk, we have assessed the cover on the products we provide in the context of the potential outcomes and exposures. Market Risk has been assessed in the context of our investment portfolio and the impact a fall in value would have on our solvency position and liquidity. Operationally we have considered the impact of restricted travel and office closures for us and our service providers on our ability to continue writing new business and serving our clients. At the current time we have assessed that we can continue to maintain our operations. The Directors will continue to closely monitor this developing risk but consider it is not possible to assess the long term financial impact at this stage.

The Company has approval from the PRA to use an internal model to calculate the Solvency Capital Requirement under Solvency II.

Section 172(1) statement

The Directors are well aware of their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Company has identified the key following stakeholder groups:

Our Investor

MCH provide the capital that allows the Company to grow and invest for future success. MCH is concerned with a broad range of issues including, but not limited to, the financial and operating performance of the Company, strategic execution and capital allocation. The Company board has regular meetings and discussions with the MCH board, and the opinions of the MCH board are taken into account when shaping the Company strategy, operational performance and capital structure.

Our Colleagues

Our colleagues are a key resource to enable the Company to succeed. They are concerned with opportunities for personal development and career progression, a culture of inclusion and diversity, and compensation and benefits. The Company engages with our colleagues via quarterly results presentations and regular communications on the performance and strategy of the Company. The Company also conducts a biennial employment engagement survey. The Company encourages managers to search internally to fill vacancies, and proactively manage career development to enable our colleagues to drive their own career paths.

Our Customers

Our customers are concerned with receiving quality products and services, and, where necessary, for the Company to deal diligently and effectively with claims. The Company seeks to be a market leader in each of our pursuits and to understand our customers' needs. The Directors are focussed on targeting growth opportunities where we can best add value to our customers, and on maintaining adequate solvency to ensure policy holder protection. The Company has a highly trained and qualified team of claims specialists with in-depth experience across all lines of business, and draws on the expertise of external lawyers, loss adjusters and other professionals where necessary, to ensure we deal diligently and effectively with claims.

Our Regulators

The Company has a responsibility to engage with regulators in all jurisdictions where we operate. The Company is regulated in the UK and has a regulated branch in Europe. The Company's risk and compliance teams lead our relationships with regulators and maintain regular dialogue with them through both formal and informal meetings. In 2019, the teams engaged with our various regulators, with involvement from the Directors when required. The Company and all of its branches have met all of their material regulatory reporting obligations during the course of the year.

Our Communities

The Company has a strong commitment to charities, the local community and the environment. Colleagues are encouraged to be directly involved in supporting local community projects and charitable causes, and the Company assists with fund-raising and arranges for matching of donations or sponsorship via the Market Match Programme. The Company aims to minimise our environmental impact by only using necessary consumables, and recycling wherever possible. Environmental performance is reviewed continuously.

By order of the Board,



Simon C Barrett

Director
London
18 March 2020
Registered number 0966670

Directors' Report

The Directors submit the Annual Report and Financial Statements of the Company for the year ended 31 December 2019.

Future developments

Likely future developments in the business of the Company are discussed in the Strategic Report beginning on page 2.

Dividends

During the year dividends of \$55.0m were paid (2018, \$75.0m).

Directors

The Directors of the Company who served during 2019 and up to the date of this report were as follows:

Ralph C Snedden	(Chair)
Simon C Barrett	
Andrew J Davies	
James Hastings	(Appointed 6th November 2019)
Paul H Jenks	
Nicholas J S Line	
Hugh A J Maltby	(Resigned 4th June 2019)
Ian Marshall	
Hannah E Purves	(Resigned 9th May 2019)
John W J Spencer	
William D Stovin	
Anne Whitaker	
Simon Wilson	

Markel maintains liability insurance cover on behalf of the Directors and named Officers of the Company and its subsidiaries. None of the Directors had a beneficial interest in the shares or debentures of any of the UK companies in the Markel Group.

Financial instruments and risk management

Information on the use of financial instruments by the Company and its management of the associated financial risk is disclosed in note 2 to these Financial Statements. In particular the Company's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The Company's exposure to cash flow risk is addressed under the headings of 'Market risk', 'Credit risk' and 'Liquidity risk'.

Political donations

No political donations were made in the year (2018, Nil).

Carbon policy

As set out in the "Market Style" the Company has a commitment to its communities which we recognise includes environmental responsibilities. Our goal is to minimise our environmental impact whilst still adhering to our other company principles as expressed in the Market Style and our company profile.

Through the development of best practices in our business, the Company aims to use no more consumables than are necessary and recycle the maximum of those we do use. The Directors also believe that embedding environmental awareness throughout the organisation will be best achieved through a continuous programme of employee education.

Events since the reporting date

On March 5 2020 and March 6 2020 the High Courts of the UK and Jersey respectively granted approval for a Part VII transfer whereby the Company will assume all insurance obligations of ECIC effective March 20 2020.

The Directors have considered the ongoing emergence and spread of coronavirus (COVID-19) and assessed the potential impact or loss to the business arising from Underwriting Risk, Market Risk and Operational Risks. In respect of Underwriting Risk, we have assessed the cover on the products we provide in the context of the potential outcomes and exposures. Market Risk has been assessed in the context of our investment portfolio and the impact a fall in value would have on our solvency position and liquidity. Operationally we have considered the impact of restricted travel and office closures for us and our service providers on our ability to continue writing new business and serving our clients. At the current time we have assessed that we can continue to maintain our operations. The Directors will continue to closely monitor this developing risk but consider it is not possible to assess the long term financial impact at this stage.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

By order of the Board,



Simon C Barrett

Director
London

18 March 2020
Registered number 0966670

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, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard ("FRS") 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts.

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 a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent auditor's report

to the members of Markel International Insurance Company Limited

1. Our opinion is unmodified

We have audited the Financial Statements of Markel International Insurance Company Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and the related notes, including the accounting policies in note 1.

In our opinion the Financial Statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 27 July 2000. The period of total uninterrupted engagement is for the 20 financial years ended 31 December 2019. 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.

Overview

Materiality:	\$3.75m (2018: \$5.0m)
Financial Statements as a whole	0.68% (2018: 0.73%) of Gross written premium

Risks of material misstatement vs 2018

Recurring risk	Valuation of claims outstanding (IBNR)	◀▶
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2 Key audit matter: 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 matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was 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 this matter.

The risk	Our response
<p>Valuation of claims outstanding – Incurred but not reported ('IBNR')</p> <p>(Gross claims outstanding: \$1,157.8 million; 2018: \$1,339.8 million; Net claims outstanding: \$665.8 million; 2018: \$789.8 million)</p> <p><i>Refer to page 24 (accounting policy) and page 47 (financial disclosures).</i></p>	<p>Subjective valuation:</p> <p>The valuation of claims outstanding is the area requiring the most significant judgement in the Financial Statements.</p> <p>The valuation of IBNR within claims outstanding in particular is highly judgemental as it requires a number of assumptions to be made with high estimation uncertainty such as the expected net loss ratios. For some classes, a slight change in assumption could result in a large change in estimate.</p> <p>We consider the highest risk to be connected with those classes of business that are material or where:</p> <ul style="list-style-type: none"> — there have been changes in methodology and/or assumptions; or — there is evidence of significant or unexpected developments; or — they have a long tail. <p>This higher risk will also include focus on catastrophe reserves, which by their nature have heightened levels of uncertainty, on a gross basis, as the claims develop.</p>
	<p>Our procedures included:</p> <p>Control design and operation: We tested the design, implementation and operating effectiveness of key controls over the reserving process. These included:</p> <ul style="list-style-type: none"> — data reconciliations to ensure completeness and accuracy of data extracted from the relevant systems used by the actuaries to set reserves; and — management comparisons of quarterly movements, by class of business, in gross and net ultimates. For those movements which were above pre-defined thresholds, we investigated and challenged the assumptions. <p>Assessing policy: We assessed the governance processes and whether the Company followed the documented reserving policy in setting reserves.</p> <p>Assessing actuary's credentials: We assessed the competence, capability and objectivity of the Company's actuarial team.</p> <p>We involved our own actuarial specialists to assist us in our challenge of the methodology and assumptions adopted as follows:</p> <ul style="list-style-type: none"> — Independent re-performance: For a selection of classes of business which we considered to be higher risk, we performed independent re-projections of the actuarial best estimate using our own gross loss ratios and compared these to the Company's results. Where there were material differences in results, we challenged the Company's assumptions, using our own expectations based on our knowledge of the Company and the experience of the industry it operates in, to assess whether the Company's estimate fell within a reasonable range. For classes not projected we performed other procedures to assess for reasonableness and investigated any material deviations. — Sector experience: We have assessed and challenged the claims reserves methodology and assumptions by reference to prior experience, industry practice and our expectation derived from market experience. This included investigating any significant deviations from expectation. — Benchmarking assumptions: We evaluated the appropriateness of reserving methodologies and estimates of losses including those of total losses on natural catastrophes by comparing to expectations derived from industry benchmarking in order to identify specific trends and outliers.



The risk	Our response
<p>Valuation of claims outstanding – Incurred but not reported ('IBNR') (continued)</p>	<p>A margin is added to the actuarial best estimate of claims reserves 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 judgement and an estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims.</p> <p>The effect of these matters is our determination that the valuation of IBNR 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.</p>

We continue to perform procedures over the valuation and existence of accrued premium income and the impact of uncertainties due to the UK exiting the European Union on our audit. Relating to accrued premium income, following assessment of the preceding two years' audit work, we have determined the level of estimation associated with accrued premium income to be low. For the uncertainties due to the UK existing the European Union, the uncertainties are considered to now be low due to the Part VII transfer of the EEA policies out of MIICL (as disclosed in note 25). As a consequence, we have not assessed these as our significant risks in our current year audit and, thus, they are not separately identified as key audit matters in our report this year.



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

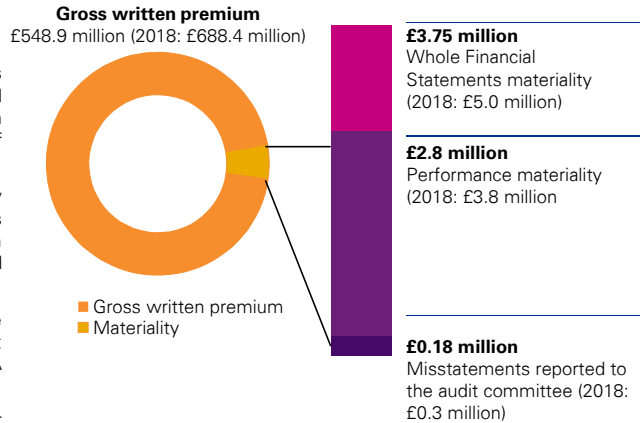
Materiality for the Financial Statements as a whole was set at \$3.75 million (2018: \$5.0 million), determined with reference to a benchmark of Gross written premium, of \$548.9 million (2018: \$688.4 million) of which it represents 0.68% (2018: 0.73%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$0.18 million (2018: \$0.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Company's head office in London and the USA office.

KPMG USA performed controls testing over other financial investments and investment income and substantive procedures in respect of the existence and accuracy of investment income and the existence of financial assets.

In respect of the work performed by KPMG USA we evaluated the scope of the work and the information reported back, including remote review of their files, to ensure that it addressed the risks relevant to our audit.



4. We have nothing to report on going concern

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

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

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit and COVID-19, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

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

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

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 11, 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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

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

Irregularities – ability to detect

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

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, pensions 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 regulatory compliance and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities authorised and regulated by the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA)

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related Financial Statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

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



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

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



Karen Orr
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL
18 March 2020



Income Statement: Technical Account

for the year ended 31 December 2019

	Notes	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Earned premiums, net of reinsurance					
Gross written premiums	3	548,897		688,426	
Outward reinsurance premiums		<u>(109,487)</u>		<u>(164,240)</u>	
Net written premiums			439,410		524,186
Change in the gross provision for unearned premiums		1,991		(44,237)	
Change in the provision for unearned premiums reinsurers' share		<u>(16,602)</u>		<u>12,687</u>	
			<u>(14,611)</u>		<u>(31,550)</u>
Net Earned Premiums			424,799		492,636
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(328,559)		(341,639)	
Reinsurers' share		<u>112,775</u>		<u>79,110</u>	
Net paid claims		(215,784)		(262,529)	
Change in the provision for claims					
Gross amount	19	(25,668)		(36,964)	
Reinsurers' share	19	<u>(2,185)</u>		<u>52,893</u>	
Net change in provision		(27,853)		15,929	
Net claims incurred			(243,637)		(246,600)
Net operating expenses	5		(181,818)		(224,042)
Balance on the technical account			(656)		21,994

The notes on pages 25 to 53 form part of these Financial Statements.

Income Statement: Non-Technical Account for the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Balance on the technical account		(656)	21,994
Investment income	6	66,059	33,714
Investment expenses and charges	7	(8,003)	(8,224)
Unrealised gains/(losses) on investments	8	50,916	(2,484)
Net foreign exchange gains		3,898	6,371
Profit on ordinary activities before taxation		112,214	51,371
Taxation on profit on ordinary activities	9	(21,310)	(8,134)
Profit for the year		90,904	43,237

The notes on pages 25 to 53 form part of these Financial Statements.

Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Profit for the year		90,904	43,237
Profit recognised in pension schemes	23	6,060	4,982
Movement on current tax relating to pension scheme		660	-
Movement on deferred tax relating to pension scheme	23	(1,703)	(1,363)
Movement on pension asset recognition	23	12,838	(6,652)
Total Comprehensive Income for the year		108,759	40,204

The notes on pages 25 to 53 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2019

2019	Called-up Share Capital \$'000	Share Premium \$'000	Other Reserves \$'000	Comprehensive Income \$'000	Total \$'000
At beginning of year	267,202	199,765	(37,565)	78,727	508,129
Total comprehensive income for the year	-	-	-	108,759	108,759
Dividends paid	-	-	-	(55,000)	(55,000)
At end of year	267,202	199,765	(37,565)	132,486	561,888

2018	Called-up Share Capital \$'000	Share Premium \$'000	Other Reserves \$'000	Comprehensive Income \$'000	Total \$'000
At beginning of year	267,202	199,765	(37,565)	113,523	542,925
Total comprehensive income for the year	-	-	-	40,204	40,204
Dividends paid	-	-	-	(75,000)	(75,000)
At end of year	267,202	199,765	(37,565)	78,727	508,129

The notes on pages 25 to 53 form part of these Financial Statements

Statement of Financial Position: Assets

as at 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Investments			
Investments in group undertakings and participating interests	13	4,790	4,790
Other financial investments	13	1,196,076	1,267,150
Deposits with ceding undertakings		3,094	3,745
		1,203,960	1,275,685
Reinsurers' share of technical provisions			
Provisions for unearned premiums	19	36,337	55,571
Claims outstanding	19	491,984	550,048
		528,321	605,619
Pension asset	23	25,485	-
Debtors			
Debtors arising out of direct insurance operations	14	135,878	189,828
Debtors arising out of reinsurance operations	14	110,364	110,414
Other debtors including taxation	16	27,127	36,171
		273,369	336,413
Tangible Assets			
Tangible assets	17	61	8
		61	8
Prepayments and accrued income			
Accrued interest		5,831	7,219
Deferred acquisition costs	19	42,618	52,113
		48,449	59,332
Total Assets		2,079,645	2,277,057

The notes on pages 25 to 53 form part of these Financial Statements.

Statement of Financial Position: Liabilities

as at 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Capital and reserves			
Called up share capital	18	267,202	267,202
Share premium account		199,765	199,765
Other reserve		(37,565)	(37,565)
Comprehensive Income		132,486	78,727
Shareholder's funds attributable to equity interests		561,888	508,129
Technical provisions			
Provisions for unearned premiums	19	225,251	271,354
Claims outstanding	19	1,157,801	1,339,775
		1,383,052	1,611,129
Creditors			
Creditors arising out of direct insurance operations	20	42,354	55,773
Creditors arising out of reinsurance operations	20	72,572	89,415
Deferred taxation liability	15	4,881	846
Other creditors including taxation and social security	21	14,898	11,766
		134,705	157,800
Total Liabilities and Shareholder's Funds		2,079,645	2,277,058

The notes on pages 25 to 53 form part of these Financial Statements.

Approved by the Board of Directors on 18 March 2020 and signed on behalf of the Company by Simon Barrett, Company Director.



Simon C Barrett

Director
London

18 March 2020

Notes to the Financial Statements

1 Accounting policies

The Financial Statements have been prepared in compliance with Financial Reporting Standard ("FRS") 102, being the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued in August 2014, and FRS 103 Insurance Contracts as issued in March 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements on the grounds that the consolidated Financial Statements of Markel are publicly available and include the Company in the consolidation. These Financial Statements present information about the Company as an individual undertaking and not about its group.

In these Financial Statements, the Company is considered to be a qualifying entity for the purposes of this FRS and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Key Management Personnel compensation; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules.

These Financial Statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value. A summary of the more important accounting policies that have been applied consistently is set out below.

a) Use of judgements and estimates

In preparing these Financial Statements, the Directors of the Company have made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Further detail on the use of judgements and estimates is detailed in the underwriting result policy.

b) Underwriting result

The underwriting result is determined using an annual basis of accounting, whereby the incurred cost of claims, commission and expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

- i) Written premiums relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums not yet due or notified to the Company. Premiums are shown gross of brokerage payable and excludes taxes and duties levied on them.
- ii) Unearned premiums represent the proportion of premiums written in the year that relates to unexpired terms of policies in force at the reporting date, calculated on the basis of established earnings patterns or time apportionment as appropriate. In the opinion of the Directors, the resulting provision is not materially different from one based on the pattern of incidence of risk.

- iii) Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business being reinsured.
- iv) Acquisition costs, which represent commission and other expenses related to the production of business, are deferred and amortised over the period in which the related premiums are earned.
- v) Provision for unexpired risks is made where claims and related expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums receivable, less the related deferred acquisition costs, under these contracts. Provision for unexpired risks is calculated separately by class and includes an allowance for investment return. Unexpired risk surpluses and deficits are offset where in the opinion of the Directors the business classes concerned are managed together and in such cases a provision for unexpired risks is made only where there is an aggregate deficit.
- vi) Claims incurred comprise claims and claims handling expenses paid in the year and the change in provisions for outstanding claims, including provisions for claims incurred but not reported and claims handling expenses. The adequacy of the outstanding claims provisions is assessed by reference to projections of the ultimate development of claims in respect of each underwriting year. Management continually attempts to improve its loss estimation process by refining its ability to analyse loss development patterns, claims payments and other information, but many reasons remain for potential adverse development of estimated ultimate liabilities. The process of estimating loss reserves is a difficult and complex exercise involving many variables and subjective judgements. As part of the reserving process, the Company reviews historical data and considers the impact of various factors such as trends in claim frequency and severity, changes in operations, emerging economic and social trends, inflation and changes in regulatory and litigation environments. Significant delays occur in notifying certain claims and a large measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent development.

The two most critical assumptions as regards these claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the models used for current business are fair reflections of the likely level of ultimate claims to be incurred. However, the Company believes the process of evaluating past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. Management currently believes the Company's gross and net reserves, including the reserves for environmental and asbestos exposures, are adequate. There is no precise method, however, for evaluating the impact of any significant factor on the adequacy of reserves, and actual results are likely to differ from original estimates.

The provisions for claims outstanding, and related reinsurance recoveries, are discounted where there is a long period from incident to claims settlement and where there exists a suitable claims payment pattern from which to calculate the discount. 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 provisions for insurance contract liabilities being discounted during the period expected before the final settlement of such claims.

Management has considered environmental and latent injury claims and claims expenses in establishing the Company's reserve for claims outstanding. The Company continues to be advised of claims asserting injuries from hazardous materials and alleged damages to cover various clean-up costs affecting policies written in prior years. Coverage and claim settlement issues, such as determining that coverage exists and defining an occurrence, may cause the actual loss development to show more variation than the rest of the Company's book of business. Traditional

reserving techniques cannot be used to estimate asbestos-related and environmental pollution claims and so the uncertainty about the ultimate cost of these types of claims is greater than the uncertainty relating to standard lines of business. The Company believes it has made reasonable provisions for claims, although the ultimate liability may be more or less than held reserves. The Company believes that future losses associated with these claims will not have a material adverse effect on its financial position. Still, there is no assurance that such losses will not materially affect the Company's results of operations for any period.

vii) Underwriting acquisition costs, general overheads and other expenses are charged as incurred to the Income Statement: Technical Account, net of the change in deferred acquisition costs.

c) Financial assets and liabilities

Debt and other fixed income securities are measured at amortised cost in accordance with Chapter 11 of FRS 102. For all other financial assets and liabilities, the Company has chosen to apply the recognition and measurement provisions of International Accounting Standard ("IAS 39") *Financial Instruments: Recognition and Measurement* (as adopted for use in the EU).

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Income Statement. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Company's investment strategy.

Recognition

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Company commits itself to purchase or sell the asset.

Measurement

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income. Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Investment income and expenses

Investment income comprises interest and dividends receivable for the year gross of investment expenses. Dividends receivable are stated after adding back any withholding taxation deducted at source. Investment expenses are charged to the Income Statement: Non-Technical Account on an incurred basis and include the amortisation change in respect of investments carried at amortised cost.

Realised gains or losses represent the difference between net sales proceeds and purchase price, or in the case of investments carried at amortised cost, the latest carrying value. Realised losses may also include losses recognised on impairment of securities. Unrealised gains and losses on investments represent the difference between the current value of investments at the reporting date and their purchase price. The movement in unrealised investment gains/losses includes an adjustment for previously recognised unrealised gains/losses on investments disposed of in the accounting period. In the event that an unrealised investment loss is deemed more permanent in nature, the loss is recognised as a realised loss and unrealised losses are adjusted accordingly.

Cash and cash equivalents

The Company considers all financial investments with original maturities of three months or less to be cash and cash equivalents. Deposits with credit institutions are comprised of cash balances, certificates of deposit and call deposits. Money market funds are cash equivalents. Cash and cash equivalents are subject to an insignificant risk of changes in fair value and are used by the Company in management of its short-term commitment. Cash and cash equivalents are carried at cost in the Statement of Financial Position.

Investments in subsidiaries are stated at the lower of cost and net realisable value. Any impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss is reversed if the subsequent increase in fair value can be related objectively to an event after the impairment loss was recognised. The reversal is recognised in the Statement of Comprehensive Income.

d) Pension costs

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/asset taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the Income Statement: Technical Account.

Remeasurement of the net defined benefit liability/asset is recognised in the Statement of Comprehensive Income in the period in which it occurs.

e) Financial Investments

Debt securities and other fixed income securities are carried at amortised cost. Shares of other variable yield securities and units in unit trusts are stated at market value based on bid price. Short-term investments are comprised of investments with original maturities greater than three months and are carried at market value. Financial investments recorded at market value will fall into one of the three levels in the fair value hierarchy as follows:

i) Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices 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.

ii) Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the significant inputs into the assumptions are market observable.

iii) Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, significant unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

f) Operating leases

Annual rentals relating to operating leases are charged to net operating expenses on a straight line basis over the lease term.

g) Foreign currency translation

The Company's functional currency and presentational currency is US dollars. Transactions denominated in currencies other than the functional currency are recorded in the functional currency at the exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary assets and liabilities denominated in a foreign currency, measured at fair value, are translated into the functional currency at the date when the fair value was determined.

Exchange differences are recorded in the Income Statement: Non-Technical Account.

h) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement: Non-Technical Account.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the reporting date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

i) Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the original cost of tangible assets over their expected lives at the following rates:

- Leasehold improvements, Colombian office 3-5 years
- IT equipment, Colombian office 3 years

The Company assesses at each reporting date whether tangible assets are impaired.

j) Merger accounting

Business combinations are accounted for using the merger accounting method, which treats the merged entities as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations are recorded in the 'other reserve' in the Statement of Changes in Equity, being the difference between the nominal value of new shares issued by the Company for the acquisition of the shares of the merged entity and the merged entity's own share capital and share premium account.

2 Risk and capital management

Financial and insurance risk management objectives

The Company is exposed to financial and insurance risks primarily through its financial assets, reinsurance assets and policyholder liabilities. The Company's risks are recorded on a Risk Register and managed through the Risk Management Framework. Solvency II principles are used to manage the Company's capital requirements and to ensure that it has the financial strength to support the growth of the business and meet the requirements of policyholders, regulators and rating agencies.

The key financial and insurance risks assessed are Underwriting Risk, Reserving Risk, Market Risk, Credit Risk, Liquidity Risk, Group Risk and Operational Risk.

a) Underwriting Risk

Underwriting Risk is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, focusing on risks that arise from the acceptance of business.

All underwriting at the Company is governed by high level "Underwriting Principles" that set out

imperatives for underwriting. The first of these is related to underwriting profitable business and is "price business at a level which would enable the Company to achieve the agreed target combined ratios under US GAAP". The Company's fundamental objective is to underwrite profitably on a gross basis and to achieve target combined ratios. A combined ratio is the ultimate loss ratio plus expense ratio. This measure of underwriting performance excludes any benefit from investment return and focuses attention on premium charged, coverage granted, commissions and other deductions and all direct and indirect expenses.

The Company's underwriters and units are assigned combined ratio targets and underwriting bonuses are based on the achievement of these targets. Bonuses are readjusted, and payments made over a number of years in line with management's assessment of how the claims are developing on that particular year's underwriting. The readjustment ensures that rewards are based on a continuing profitability of an underwriting year over its historical development and the phasing of payments assists in the retention of key underwriting staff.

The Company sets prudent maximum line-sizes. All underwriters have written underwriting authorities and there are peer reviews/review processes in place to ensure that business underwritten does not exceed authority or is outside the business plan. Risks exceeding 18 months are not permitted to be written without prior, written approval, although certain general exceptions are made. For example, in respect of Marine Construction risks (where matching reinsurance exists) this has been agreed in advance as part of the Company's underwriting strategy. Compliance with line-size and policy duration is monitored.

Technical pricing has been developed for many classes, and rate movements have been monitored since 2002.

There are independent reviews of underwriting.

For natural catastrophe risk a key method of monitoring the Company's aggregate exposures is the production of a quarterly "Aggregations pack" which sets out the Company's exposures, both gross and net, to each material region or peril it is exposed to. Units are given aggregate limits for catastrophe business in each zone and adherence to these is monitored within the pack. Natural catastrophe exposures form part of Risk Management's quarterly assessment of risk to the Risk and Capital Committee and to the Board.

b) Reserving Risk

Reserving Risk is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, focusing on risks that arise from the quantification of those liabilities.

Claims handling guidelines set out the Company's approach to claims, including:

- Claims diaries – claims adjusters must ensure that they diarise relevant dates when necessary. There are rules regarding which types of claims are subject to diary management, and targets set are monitored on a monthly basis.
- Panel of third party advisors – a panel of approved third party advisors (Attorneys and Adjusters) has been established. Third party advisors can only be appointed with sign off from a Claims Manager.
- Claims peer review audits – each underwriting unit is subject to a periodic claims audit of selected claims files for identifying strengths and weaknesses in the handling of claims. Senior independent claims personnel are responsible for the qualitative review of the handling of files.

A full Actuarial reserving exercise occurs quarterly. This involves internal review within the Actuarial department and discussions with relevant underwriters and claims staff. Combined Ratio packs are produced which contain gross and net projections for all classes of business written at MINT. The

packs are discussed in detail at quarterly "Combined Ratio Meetings", which are attended by members of the Board and the relevant Actuaries.

c) Market Risk

Market Risk is the risk of loss resulting from adverse financial market movements including interest rates or exchange rates.

Risk appetites are agreed annually by the Board to limit investment concentration. Adherence to these is monitored at the Risk & Capital Committee through Key Risk Indicators. Any exceptions to risk appetite are reported to the Board.

The Company's investment manager, Markel Gayner Asset Management Corporation ("MGAM") produces a quarterly Investment Report which is reviewed quarterly by Markel's investment committee. The Company's Finance Director participates in this meeting. A quarterly investment report is produced for the Company's Board.

The principal market risks and how exposure to these risks is managed are as follows:

Interest rate risk: The Company works to manage the impact of interest rate fluctuations on the fixed maturity portfolio. The effective duration of the fixed maturity profile is managed with consideration given to the estimated duration of policyholder liabilities.

Equity price risk: The Company sets limits on the amount of equities that can be held with any one issuer. The overall equity portfolio is also monitored to ensure that equity risk does not exceed the Company's risk appetite.

As the Company's fixed income securities are measured at amortised cost the impact of interest rate movements on this portfolio is negligible. The table below sets out the Company's sensitivity to stock market price movements.

Price risk	2019 \$'000	2018 \$'000
Impact on result of 5% increase in stock market prices	17,186	13,580
Impact on result of 5% decrease in stock market prices	(17,186)	(13,580)
Impact on net assets of 5% increase in stock market prices	14,264	11,271
Impact on net assets of 5% decrease in stock market prices	(14,264)	(11,271)

Foreign exchange risk: Foreign exchange risk is managed primarily by matching assets and liabilities in each foreign currency as closely as possible. To assist in the matching of assets and liabilities in foreign currencies the Company may purchase foreign exchange forward contracts or buy and sell foreign currencies in the open market. No foreign exchange forward contracts have been entered into during the year.

The table below details the matching of material currencies on the Statement of Financial Position. The currencies are reported in converted US dollars.

2019								
Currency Code	GBP'000	USD'000	EUR'000	CAD'000	AUD'000	JPY'000	Other'000	Total'000
Investments	311,025	771,435	53,635	1,075	9,905	20,336	36,549	1,203,960
Reinsurers' share of technical provisions	84,773	378,905	23,252	1,552	9,375	109	30,355	528,321
Insurance and reinsurance receivables	133,723	118,611	(18,160)	7	2,568	1,876	7,617	246,242
Other assets	116,022	(40,757)	24,495	(15)	(5)	1,306	7,113	108,159
Total assets	645,543	1,228,194	83,222	2,619	21,843	23,627	81,634	2,086,682
Technical provisions	531,545	685,738	49,360	(6,139)	11,533	29,152	81,863	1,383,052
Insurance and reinsurance payables	27,184	86,658	113	179	212	-	580	114,926
Other creditors	(13,014)	35,209	(1,181)	2	33	(37)	(1,231)	19,781
Total liabilities	545,715	807,605	48,292	(5,958)	11,778	29,115	81,212	1,517,759
2018								
Currency Code	GBP'000	USD'000	EUR'000	CAD'000	AUD'000	JPY'000	Other'000	Total'000
Investments	295,609	782,488	143,009	1,357	8,942	8,663	35,617	1,275,685
Reinsurers' share of technical provisions	109,269	410,479	45,562	3,162	7,471	(711)	30,387	605,619
Insurance and reinsurance receivables	130,433	144,565	13,355	326	331	658	10,574	300,242
Other assets	91,799	(11,094)	8,068	(91)	(156)	433	6,552	95,511
Total assets	627,110	1,326,438	209,994	4,754	16,588	9,043	83,130	2,277,057
Technical provisions	518,606	787,837	183,718	(4,571)	13,249	20,273	92,017	1,611,129
Insurance and reinsurance payables	34,521	109,015	914	122	572	-	44	145,188
Other creditors	3,618	10,154	(369)	1	15	-	(808)	12,611
Total liabilities	556,745	907,006	184,263	(4,448)	13,836	20,273	91,253	1,768,928

d) Credit Risk

Credit Risk is the risk of loss arising from the inability of a counterparty to fulfil its payment obligations. Key areas where the Company is exposed to credit risk are:

- Amounts recoverable from reinsurers
- Amounts due from insurance intermediaries and insurance contract holders
- Amounts due from corporate bond issuers

The Company's fixed income securities portfolio is monitored to ensure credit risk does not exceed the Company's risk appetite. In addition, the Company places limits on exposures to a single counterparty or concentrations of exposures to a specific counterparty.

The Board sets risk appetites for the amount of exposure it is prepared to accept in respect of reinsurers and brokers. These are monitored through reports to Risk & Capital Committee and any exceptions are reported to the Board.

The Company takes a proactive approach to the collection of reinsurance recoveries, including the

pursuit of commutations. New reinsurers may be required to post collateral depending on their size, rating and potential debt to the Company. If a reinsurer is not willing to post collateral then their line size may be reduced to an acceptable level in accordance with their applicable rating and capital.

The table below provides details of the credit rating by asset class.

2019	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB or less \$'000	Not rated \$'000	Total \$'000
Shares and other variable yield securities and unit trusts	-	-	-	-	-	344,078	344,078
Debt securities	410,378	125,796	16,175	3,805	-	-	556,154
Short term investments	-	-	-	-	-	-	-
Money market funds	48,919	-	4,385	-	-	-	53,304
Deposits with credit institutions	-	-	208,290	33,935	315	-	242,540
Reinsurers' share of claims outstanding	8,722	146,209	327,350	-	-	9,703	491,984
Reinsurance debtors	1,949	32,673	73,574	-	-	2,168	110,364
Total credit risk	469,968	304,678	629,774	37,740	315	355,949	1,798,424

2018	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB or less \$'000	Not rated \$'000	Total \$'000
Shares and other variable yield securities and unit trusts	-	317	-	-	-	271,599	271,916
Debt securities	449,635	201,894	52,667	-	-	-	704,196
Short term investments	28,955	-	-	-	-	-	28,955
Money market funds	25,387	-	339	-	-	-	25,726
Deposits with credit institutions	-	73	30,194	205,689	401	-	236,357
Reinsurers' share of claims outstanding	19,079	107,509	420,206	-	-	3,254	550,048
Reinsurance debtors	3,830	21,581	84,350	-	-	653	110,414
Total credit risk	526,886	331,374	587,756	205,689	401	275,506	1,927,612

Assets not contained in the above table include: reinsurers' share of unearned premium, debtors arising out of direct insurance operations, deferred acquisition costs and other debtors. These assets have been excluded from the table as credit ratings are not readily ascertainable.

e) Liquidity Risk

Liquidity Risk is the risk that sufficient liquid financial resources are not maintained to meet liabilities as they fall due. The Company monitors the projected settlement of liabilities and, in conjunction with MGAM, sets guidelines on the composition of the portfolio in order to manage this risk.

The average duration of liabilities is 4.7 years (2018, 3.9 years). The duration of the Company's investment portfolio is managed to match the expected cash outflows on liabilities.

Each year liquidity stress tests are undertaken to consider possible liquidity pressures which could arise following a significant natural catastrophe, including trust fund requirements. These tests are considered by the Risk & Capital Committee in order to determine that liquidity risk has been mitigated to a satisfactory level.

f) Group Risk

Group Risk is the risk that actions or events within one part of Markel Corporation adversely affect an entity, or all entities, within MINT.

It is considered that being part of a larger, experienced insurance group, with considerable financial

resources and sound reputation is a strength. The Company has a number of controls, such as the internal committees that consider the interests of MINT's legal entities and endeavour to communicate the MINT perspective to Markel, with whom the Company enjoy an excellent relationship.

The risk of the Company being part of MINT is also considered. The policy is always to consider the interests of each legal entity, and the Company's single risk strategy, risk management approach, operational procedures and standards are effective in ensuring that each entity is treated equitably.

g) Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Key controls that mitigate each risk on our risk register have been identified together with the appropriate control owner. Each quarter the control owner is required to confirm that the controls they are responsible for have been in place and operating effectively during the previous quarter. Controls relating to the production of financial information, which is governed by the Sarbanes Oxley Act, are tested annually by our Internal Audit team. Senior managers are also required to answer a quarterly questionnaire designed to identify whether there are any changes to processes, or any events which might impact Markel's Financial Statements. Each quarter's confirmation process is summarised by Risk Management in a memo to the President, the Chief Operating Officer and the Finance Director.

An Incident Log (including Operational Losses and Near Misses) has been compiled. This records and quantifies losses and "near misses" arising from or exacerbated by failure of people, processes and systems as well as those caused by external (non-insurance) events, and assists in identifying Risk Events, Key Risk Indicators and also controls which would mitigate a recurrence of such losses.

Reports on a number of areas of Operational Risk form part of the quarterly Key Risk Indicators that are submitted to Risk & Capital Committee and summarised to the Board.

h) Capital management

The Company is subject to capital requirements imposed by the PRA. As from 1 January 2016 the Company has complied with Solvency II. Previously the Company complied with both the PRA's risk based ICA methodology and Solvency I.

3 Analysis of underwriting result

a) Analysis of business by class

2019	Gross Written Premiums \$'000	Gross Earned Premiums \$'000	Gross Claims Incurred \$'000	Gross Operating Expenses \$'000	Reinsurance Balance \$'000	Total \$'000
Direct Insurance						
Marine, aviation and transport	130,000	121,726	(53,576)	(42,023)	(24,882)	1,245
Fire and other damage to property	24,658	25,819	(10,368)	(8,913)	(1,755)	4,783
Third party liability	192,026	192,657	(95,682)	(66,510)	(4,776)	25,689
Miscellaneous	102,902	98,759	(82,731)	(34,094)	20,802	2,736
Total Direct	449,586	438,961	(242,357)	(151,540)	(10,611)	34,453
Reinsurance	99,311	111,927	(111,870)	(38,639)	3,473	(35,109)
Total	548,897	550,888	(354,227)	(190,179)	(7,138)	(656)
2018						
	Gross Written Premiums \$'000	Gross Earned Premiums \$'000	Gross Claims Incurred \$'000	Gross Operating Expenses \$'000	Reinsurance Balance \$'000	Total \$'000
Direct Insurance						
Marine, aviation and transport	116,267	107,938	(53,988)	(40,710)	(7,622)	5,618
Fire and other damage to property	31,490	29,979	(17,366)	(11,307)	(4,249)	(2,943)
Third party liability	296,477	266,271	(148,765)	(100,427)	(592)	16,487
Miscellaneous	110,423	105,226	(57,388)	(39,687)	(6,271)	1,880
Total Direct	554,657	509,414	(277,507)	(192,131)	(18,734)	21,042
Reinsurance	133,769	134,775	(101,096)	(50,832)	18,105	952
Total	688,426	644,189	(378,603)	(242,963)	(629)	21,994

b) **Analysis of premium by geographic area by origin:**

	Gross Written Premiums		Profit / (Loss) Before Taxation	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United Kingdom				
Direct	390,016	384,668	18,798	12,659
United States				
Direct	195	64	(264)	169
Rest of World				
Direct	332	450	10,430	9,481
Europe (excluding UK)				
Direct	59,043	169,475	5,489	(1,267)
	449,586	554,657	34,453	21,042
Reinsurance			(35,109)	952
Investment return			108,972	23,006
Foreign exchange gains			3,898	6,371
Profit on ordinary activities before taxation			112,214	51,371

Direct insurance written in the United States comprises Excess and Surplus Lines business written in those states where the Company is an authorised insurer.

by destination:

	Gross Written Premiums	
	2019 \$'000	2018 \$'000
United States	128,129	146,792
United Kingdom	284,054	296,697
Europe (excluding UK)	38,710	140,364
Rest of the world	97,939	103,909
Canada	65	664
Total	548,897	688,426

4 Movement in prior year's provision for claims outstanding

The Company experienced a net favourable loss development in the year of \$65.8m (2018, \$75.4m).

5 Net operating expenses

	2019 \$'000	2018 \$'000
Acquisition costs	107,975	147,223
Change in deferred acquisition costs	317	(6,747)
Administrative expenses	81,887	102,487
Gross operating expenses	190,179	242,963
Reinsurance commissions and profit participation	(8,361)	(18,921)
Net operating expenses	181,818	224,042

Included in administrative expenses is auditors remuneration of \$441.4k (2018, \$435.1k).

	2019	2018
	\$	\$
Audit of the Financial Statements	321,534	321,203
Audit related assurance services	119,852	113,850
Total	441,386	435,053

Total commissions for direct insurance accounted for during the year amounted to \$88.3m (2018, \$115.1m).

6 Investment income

	2019	2018
	\$'000	\$'000
Income from investments	29,513	32,058
Gains on the realisation of investments	36,546	1,656
Total	66,059	33,714

7 Investment expenses and charges

	2019	2018
	\$'000	\$'000
Investment management expenses, including interest	5,671	5,622
Amortisation of fixed interest securities	2,212	1,875
Losses on the realisation of investments	120	727
Total	8,003	8,224

8 Investment return

	2019	2018
	\$'000	\$'000
Investment income	66,059	33,714
Investment expenses and charges	(8,003)	(8,224)
Unrealised gains/(losses) on investments	50,916	(1,335)
Impairment loss on subsidiary	-	(1,149)
Return on investments	108,972	23,006

9 Profit on ordinary activities before taxation

	2019	2018
	\$'000	\$'000
Profit on ordinary activities before taxation is stated after charging:		
Rentals under operating leases - land and buildings	562	1,666
Depreciation	25	29

10 Taxation

a) Analysis of charge for the year

Total taxation charge in the Income Statement: Non-Technical Account.

	2019 \$'000	2018 \$'000
Current Taxation		
Current tax charge on profit for the period - UK corporation tax	21,469	8,866
Current tax charge on profit for the period - US corporation tax	3,967	9,244
Current tax credit on profit for the period - US corporation tax settled by Markel Corporation under the tax sharing agreement	(3,967)	(9,244)
Adjustment in respect of prior periods	139	(435)
Total current tax charge	21,608	8,431
Deferred Taxation		
Origination and reversal of timing differences	(298)	(297)
Deferred tax charge on profit for the period - US corporation tax	17,905	25,965
Deferred tax credit on profit for the period - US corporation tax settled by Markel Corporation under the tax sharing agreement	(17,905)	(25,965)
Total deferred tax credit	(298)	(297)
Taxation charge on profit on ordinary activities	21,310	8,134

b) Factors affecting the taxation charge for the year

The taxation charge assessed for the year is lower (2018, lower) than the standard rate of corporation taxation in the UK of 19.00% (2018, 19.00%). The differences are explained below:

	2019 \$'000	2018 \$'000
Profit on ordinary activities before taxation	112,214	51,371
Profit on ordinary activities multiplied by standard effective rate of corporation taxation in the UK of 19.00% (2018, 19.00%)	21,321	9,760
Effects of		
Dividend income not taxable	(877)	(793)
US corporation tax	3,967	9,244
US corporation tax settled by Markel Corporation under the tax sharing agreement	(3,967)	(9,244)
Other permanent differences	765	333
Prior year adjustment	139	(435)
Tax rate differential	35	-
Other	(73)	(731)
Total tax charge for the year	21,310	8,134

The Company has made an election in accordance with IRS code §953(d) to be treated as a US company for US tax purposes effective as of 1 January 2018. The current statutory tax rate for US corporate income tax purposes is 21%. The Company has entered into a tax sharing agreement with Markel, under which Markel has agreed to bear the net US tax expense generated by the Company, effective as of 1 January 2018.

11 Directors' remuneration

The disclosed remunerations are paid by Markel International Services Limited ("MISL") to Directors for their services to the Company. The remunerations are disclosed here in full as this is the Company to which the largest proportion of their remuneration relate.

	2019	2018
	£	£
Aggregate remuneration	4,367,506	4,217,967

Retirement benefits are accruing to five Directors under defined contribution pension schemes (2018, five) and to two Directors under a defined benefit scheme (2018, two).

In February 2020, 1049 Markel shares were awarded to seven Directors vesting on 31 December 2022 based on continuous employment to that date.

Highest paid Director

	2019	2018
	£	£
Aggregate remuneration and benefits under long term incentives (excluding gains on exercise of share options and value of shares received)	917,801	882,196

The highest paid Director did not participate in the defined benefit scheme.

In February 2020, 378 Markel shares were awarded to the highest paid Director vesting on 31 December 2022 based on continuous employment to that date.

12 Staff numbers and costs

The majority of staff are employed by MISL. For a full breakdown of employment costs, please refer to the Annual Report and Financial Statements of MISL. The staff based in Colombia are employed by the Company. A breakdown of their employment costs is provided below.

Staff costs	2019	2018
	\$'000	\$'000
Wages and salaries	749	1,861
Social security costs	85	237
Other pension costs	39	87
	873	2,185

The average number of employees of the Company during the year were as follows:

	2019	2018
Administration and finance	4	9
Sales, marketing and underwriting	1	5
	5	14

13 Investments

Investments in subsidiaries and participating interests

	Carrying Value		Cost	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Shares in subsidiaries at beginning of year	4,790	5,939	8,538	8,538
Impairment loss on subsidiary	-	(1,149)	-	-
Shares in subsidiaries at end of year	4,790	4,790	8,538	8,538

Set out below are the Company's subsidiaries as at 31 December 2019.

Name of Company	Country of Registration	Holding	Nature of Business
Markel Syndicate Management Limited	England and Wales	100% Ordinary Shares	Underwriting Agent
Markel International Services (Delaware) Limited	United States of America	100% Ordinary Shares(1)	Holding Company
Markel Europe Limited	England and Wales	100% Ordinary Shares(1)	Insurance Agent Service Company
Markel International Services Limited	England and Wales	100% Ordinary Shares(2)	Expense Services

(1) held by Markel Syndicate Management Limited

(2) held by Markel International Services (Delaware) Limited

The registered office for Markel Syndicate Management Limited, Markel Europe Limited, and Markel International Services Limited is 20 Fenchurch Street, London, EC3M 3AZ. The registered office for Markel International Services (Delaware) Limited is 1209 Orange Street, Wilmington, Delaware 19801.

Other financial investments

	Carrying Value		Cost	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Shares and other variable yield securities and units in unit trusts	344,078	271,916	138,054	116,824
Debt securities and other fixed income securities	556,154	704,196	567,677	716,207
Short term investments (debt securities and commercial paper)	-	28,955	-	28,955
Money market funds	53,304	25,726	53,304	25,726
Deposits with credit institutions	242,540	236,357	242,540	236,357
Total	1,196,076	1,267,150	1,001,575	1,124,069

2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Shares and other variable yield securities and units in unit trusts	343,720	358	-	344,078
Short term investments	-	-	-	-
Total	343,720	358	-	344,078

2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Shares and other variable yield securities and units in unit trusts	271,599	317	-	271,916
Short term investments	28,955	-	-	28,955

Total	300,554	317	-	300,871
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The debt and other fixed income securities which are shown at amortised cost are analysed below:

	2019	2018
	\$'000	\$'000
Cost	567,677	716,207
Cumulative amortisation	(11,523)	(12,011)
Amortised cost	556,154	704,196
Market Value	597,903	730,656

The redemption value of investments held at the year end was \$28.5m higher (2018, \$32.5m higher) than the amortised cost.

14 Debtors arising out of direct insurance operations and reinsurance operations

	Direct Insurance Operations		Reinsurance Operations	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amounts owed by fellow Markel subsidiaries	-	422	21,983	2,759
Amounts owed by intermediaries	135,878	189,406	88,381	107,655
Total	135,878	189,828	110,364	110,414

15 Deferred taxation

The provision for deferred taxation has been made on a full provision basis. The deferred taxation liability comprises amounts arising on:

	2019	2018
	\$'000	\$'000
Difference between accumulated depreciation and capital allowances	73	84
Other timing differences	(621)	(930)
Total liability	(548)	(846)

The movement in the deferred taxation liability during the year is as follows:

	Deferred Tax Liability	Pension Tax Liability	Total	Total
	2019	2019	2019	2018
	\$'000	\$'000	\$'000	\$'000
At beginning of year	(846)	(2,630)	(3,476)	(2,410)
Income Statement credit - current	298	-	298	297
Movement in Statement of Comprehensive Income	-	(1,703)	(1,703)	(1,363)
At end of year	(548)	(4,333)	(4,881)	(3,476)

Deferred taxation in respect of timing differences expected to reverse in 2020 and subsequent years has been calculated at a deferred tax rate of 17% (2018, 17%) consistent with the deferred tax rate

applied in the consolidated group accounts. The final enacted reduction in the standard rate of UK corporation tax from 19% to 17% may result in an overall adverse variance in the actual deferred tax movements during the reduction period. In view of the uncertainties over the period in which the timing differences will reverse due to the nature of the Company's insurance activities it is not considered meaningful to attempt to quantify the potential adverse variance.

No deferred tax asset is recognised in respect of aggregate cumulative unrelieved tax losses of \$52.4m (2018, \$55.2m) in the Company's overseas branches due to the uncertainty of sufficient taxable income being generated in the branches in the foreseeable future, primarily as a result of the establishment of MISE and its branch network.

16 Other debtors

	2019 \$'000	2018 \$'000
Amounts owed by fellow Markel subsidiaries	31,488	40,611
Other debtors	(4,361)	(4,440)
Total	27,127	36,171

17 Tangible Assets

	IT Equipment \$'000	Leasehold Improvements \$'000	Total Tangible Assets \$'000
Cost			
At beginning of year	53	1,355	1,408
Additions in the year	-	78	78
Disposals in the year	-	-	-
At the end of the year	53	1,433	1,486
Accumulated depreciation			
At the beginning of the year	(53)	(1,347)	(1,400)
Charge for the year	-	(25)	(25)
At the end of the year	(53)	(1,372)	(1,425)
Net book value			
At 31 December 2019	-	61	61
At 31 December 2018	-	8	8

18 Share capital

The share capital of the Company is as follows:

Called up, allotted and fully paid

	2019 \$'000	2018 \$'000
26,720,259 ordinary shares of \$10.00, at end of year	267,202	267,202

19 Technical provisions

The Company has considered long-tail claims, including environmental and latent injury claims, in establishing the liability for claims outstanding. Substantially all environmental and latent injury claims relate to policies written between 1971 and 1985. Latent claims cannot be estimated using traditional reserving techniques and, accordingly, the uncertainty with respect to the ultimate cost of these types of claims is greater than the uncertainty arising from other lines of business. The Company believes it has established adequate provisions for such claims, although the ultimate liability may be more or less than the reserves actually held by the Company, and considers that were future losses associated with those claims to arise, they would not have a material adverse impact on the financial position of the Company.

Provision for claims outstanding	2019			2018		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
At 1 January	1,339,775	(550,048)	789,727	1,332,169	(500,789)	831,380
Movement in provision	25,668	2,185	27,853	36,964	(52,893)	(15,929)
Part VII transfer	(210,575)	49,311	(161,264)	-	-	-
Movement due to foreign exchange	2,933	6,568	9,501	(29,358)	3,634	(25,724)
Total movement in reserves	(181,974)	58,064	(123,910)	7,606	(49,259)	(41,653)
At 31 December	1,157,801	(491,984)	665,817	1,339,775	(550,048)	789,727

Provision for unearned premiums	2019			2018		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
At 1 January	271,354	(55,571)	215,783	241,771	(43,603)	198,168
Movement in provision	(1,991)	16,602	14,611	44,237	(12,687)	31,550
Part VII transfer	(44,937)	2,833	(42,104)	-	-	-
Movement due to foreign exchange	825	(201)	624	(14,654)	719	(13,935)
Total movement in reserves	(46,103)	19,234	(26,869)	29,583	(11,968)	17,615
At 31 December	225,251	(36,337)	188,914	271,354	(55,571)	215,783

Deferred acquisition costs	2019	2018
	\$'000	\$'000
At 1 January	52,113	49,936
Change in deferred acquisition costs	(317)	6,747
Part VII transfer	(8,886)	-
Movement due to foreign exchange	(292)	(4,570)
At 31 December	42,618	52,113

The following gross and net loss tables have been revalued to reflect the current year end rates of exchange.

Gross outstanding claims provision as at 31 December 2019

Before the effect of reinsurance, the loss development table is:

Underwriting year	All prior years \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	Total \$'000	
Estimate of cumulative claims incurred												
At end of underwriting year		81,491	92,262	93,340	190,511	144,899	143,983	327,687	248,500	231,384		
One year later		152,868	162,777	311,825	353,811	303,633	262,448	507,685	354,275			
Two years later		154,548	282,401	259,545	309,396	290,350	236,223	420,600				
Three years later		296,163	251,907	233,654	316,904	280,551	201,481					
Four years later		278,894	247,225	219,578	299,786	257,745						
Five years later		271,320	246,245	208,392	280,543							
Six years later		262,172	241,252	198,144								
Seven years later		255,458	228,641									
Eight years later		255,619										
Cumulative paid claims												
At end of underwriting year		(7,579)	(4,576)	(4,544)	5,631	(9,097)	(12,652)	(44,774)	(11,781)	(24,625)		
One year later		(36,358)	(31,800)	(46,905)	(51,211)	(46,428)	(43,325)	(177,055)	(103,337)			
Two years later		(60,961)	(103,338)	(80,841)	(109,482)	(97,909)	(82,898)	(252,028)				
Three years later		(149,070)	(130,205)	(105,156)	(148,846)	(129,232)	(105,867)					
Four years later		(172,641)	(165,904)	(117,233)	(165,488)	(152,540)						
Five years later		(180,488)	(184,111)	(125,061)	(199,002)							
Six years later		(189,516)	(195,401)	(144,203)								
Seven years later		(197,989)	(202,245)									
Eight years later		(207,183)										
Total outstanding claims provision per the Statement of Financial Position		120,399	48,436	26,396	53,941	81,541	105,205	95,614	168,572	250,938	206,759	1,157,801

Net outstanding claims provision as at 31 December 2019

After the effect of reinsurance, the loss development table is:

Underwriting year	All prior years \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	Total \$'000	
Estimate of cumulative claims incurred												
At end of underwriting year		76,641	86,522	73,506	117,407	110,693	113,369	270,405	169,146	170,136		
One year later		141,550	156,230	162,647	231,656	212,194	195,514	412,950	241,864			
Two years later		133,640	168,213	144,326	197,119	187,506	140,708	319,189				
Three years later		148,856	157,330	130,087	199,861	170,259	125,052					
Four years later		144,169	153,742	124,471	191,926	154,125						
Five years later		140,657	152,872	118,646	179,066							
Six years later		139,861	150,949	108,640								
Seven years later		138,614	144,984									
Eight years later		135,122										
Cumulative paid claims												
At end of underwriting year		(7,341)	(4,560)	(1,580)	7,252	(8,249)	(12,641)	(43,617)	(11,474)	(13,891)		
One year later		(34,088)	(30,710)	(28,110)	(22,173)	(44,349)	(25,773)	(163,837)	(79,153)			
Two years later		(57,549)	(65,265)	(51,542)	(67,529)	(90,491)	(62,108)	(219,344)				
Three years later		(81,113)	(87,650)	(67,999)	(94,518)	(111,911)	(77,117)					
Four years later		(97,180)	(114,105)	(75,559)	(110,035)	(121,583)						
Five years later		(103,201)	(125,658)	(78,054)	(126,200)							
Six years later		(108,485)	(134,101)	(86,682)								
Seven years later		(115,376)	(139,544)									
Eight years later		(118,738)										
Total outstanding claims provision per the Statement of Financial Position		69,891	16,384	5,440	21,958	52,866	32,542	47,935	99,845	162,711	156,245	665,817

20 Creditors arising out of direct insurance operations and reinsurance operations

	Direct Insurance Operations		Reinsurance Operations	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Amounts owed to other Markel subsidiaries	2,409	-	19,108	11,232
Amounts owed to intermediaries	39,945	55,773	53,464	78,183
Total	42,354	55,773	72,572	89,415

21 Other creditors, including taxation and social security

	2019 \$'000	2018 \$'000
Current taxation	6,884	196
Other creditors	8,014	11,570
Total	14,898	11,766

Balances payable to other creditors fall due for payment within one year of the reporting date.

22 Discounted claims

The claims relating to PPOs have been discounted as follows:

Class of business	Discount rates		Mean term of liabilities	
	2019	2018	2019	2018
Motor	3.0%	3.0%	23.3 years	22.0 years

The period that will elapse before claims are settled is determined using adjusted mortality tables.

The claims provisions before discounting are as follows*:

	2019 £'000	2018 £'000
Total claims provisions before discounting	16,073	17,164
Reinsurers' share of total claims provisions before discounting	-	-
Net claims provisions before discounting	16,073	17,164
Discount credit	(7,763)	(7,325)
Net claims provisions post discounting	8,310	9,839

* balances shown in sterling due to the PPO exposures being UK only.

23 Pension Scheme

The Company contributes to a pension scheme (the "Terra Nova Insurance Company Limited Pension and Life Assurance Scheme") providing benefits based on final pensionable pay. On 11 November 2008 an agreement was signed resulting in a bulk transfer of assets and liabilities (amounting to £11.5m) from the Lloyd's Superannuation Fund ("LSF") into the Terra Nova Insurance Company Limited Pension and Life Assurance Scheme ("the Scheme"). With effect from that date, the Scheme was divided into two legally segregated sections: the "TN Fund" and the new "LSF Fund".

The contributions to this defined benefit scheme are determined by the Company with agreement of the Trustee and in conjunction with an independent qualified actuary.

The contribution to the Scheme for the period was £2.6m (2018, £2.6m), and was paid on behalf of the Company by MISL. The assets of the Scheme are held separately from those of the Company, being invested in listed United Kingdom and overseas equities, fixed interest securities and cash deposits. An escrow agreement has been put in place which requires the Company to make additional contributions to the LSF Fund should the Company's AM Best credit rating fall below A-.

A full actuarial valuation was carried out at 30 September 2018, which showed that the market value of the Scheme's assets was £151.5m. This actuarial valuation determined that the assets of the scheme at the valuation date represented 105% of the accrued liabilities based on the projected final pensionable salaries. This was equivalent to a surplus of £8.3m.

Following discussions with the Company and the Trustees it was agreed that the Company would pay an additional two contributions of £2.6m per annum on 30 September 2019 and 30 September 2020.

The Company will meet the cost of any augmentations to members' benefits as they fall due and the Company will meet the administrative expenses of operating the Scheme and the Pension Protection Fund Levy. The Scheme is closed to new members. The Company recognises that as a closed scheme the past service cost will increase as the members of the Scheme approach retirement but the valuation has been undertaken on an attained age basis to limit the volatility of the funding rate.

On 1 April 2012, the Company closed the Scheme to future service accrual. Those employees affected were invited to join the Markel International Pension Scheme. In accordance with paragraph 28.22 of FRS102, the Company is of the view that it is able to recognise a Scheme surplus as a defined benefit plan asset as it believes it will be able to recover the surplus. During the year, the Company reviewed the Trust Deed and identified that it had a right to a refund of the assets of the Scheme. At 31 December 2019 there was a gross surplus of \$25.5m (\$21.2m net of deferred tax liability) on the Scheme that has been recognised in the accounts. Of this amount, a surplus of \$8.4m relates to the year ended 31 December 2019, and a surplus of \$12.8m relates to prior periods. The Directors have assessed the requirement to restate comparative periods and have concluded that it is appropriate to recognise the gross surplus of \$25.5m in the current period, with an equivalent movement in other comprehensive income. The Directors believe that the key metric to users is the combined ratio. As this change has no impact on this metric in the current or earlier period, the Directors have judged it appropriate to recognise the amount relating to prior periods in other comprehensive income in the year ended 31 December 2019.

An independent actuarial FRS102 valuation of both the TN Fund and the LSF Fund was carried out as at 31 December 2019 using the projected unit method.

The principal assumptions used by the actuary were:

	2019	2018	2017
Discount rate	2.10%	2.95%	2.55%
Inflation assumption	3.00%	3.20%	3.20%
Deferred pension revaluation	2.20%	2.25%	2.25%
Salary increase assumption	2.95%	2.95%	2.95%
Pension increase assumption	2.90%	3.15%	3.15%

The assumed life expectancies on retirement at age 65 are:

	LSF Fund 2019	TN Fund 2019	LSF Fund 2018	TN Fund 2018
Current pensioners:				
Men	24.4	24.9	24.9	25.5
Women	26.0	26.5	26.9	27.4
Future pensioners:				
Men	26.1	26.6	27.1	27.7
Women	27.9	28.3	29.2	29.7

The assets in the Scheme were:

	LSF Fund 2019 £'000	TN Fund 2019 £'000	LSF Fund 2018 £'000	TN Fund 2018 £'000
Equities	10,520	52,680	8,914	45,882
Debt securities	7,008	47,405	6,968	45,145
Corporate bonds	10,632	20,638	9,696	17,915
Other	3,088	12,320	2,404	9,134
Cash	-	4	-	8
Total market value of assets	31,248	133,047	27,982	118,084
Actuarial value of liability	(28,786)	(116,204)	(25,941)	(108,041)
Surplus in the Scheme	2,462	16,843	2,041	10,043
Related deferred tax liability	(419)	(2,863)	(347)	(1,707)
Limit on pension asset recognition	-	-	(1,694)	(8,336)
Net Pension Asset	2,043	13,980	-	-

The equity and bond investments which are held in Scheme assets are quoted and are valued at the current bid price.

Reconciliation of present value of Scheme liabilities	Total 2019 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000	Total 2018 £'000	LSF Fund 2018 £'000	TN Fund 2018 £'000
At beginning of year	133,982	25,941	108,041	148,596	28,400	120,196
Current service cost	216	216	-	290	54	236
Interest cost	3,889	759	3,130	3,709	715	2,994
Benefits paid	(4,339)	(451)	(3,888)	(6,283)	(739)	(5,544)
Actuarial gain/(loss)	11,242	2,321	8,921	(12,329)	(2,489)	(9,840)
At end of year	144,990	28,786	116,204	133,983	25,941	108,042

Reconciliation of fair value of Scheme assets	Total 2019 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000	Total 2018 £'000	LSF Fund 2018 £'000	TN Fund 2018 £'000
At beginning of year	146,067	27,982	118,085	154,158	29,115	125,043
Income on plan assets	4,264	822	3,442	3,868	736	3,132
Employer contributions	2,630	430	2,200	2,630	430	2,200
Benefits paid	(4,340)	(451)	(3,889)	(6,283)	(739)	(5,544)
Actuarial gain/(loss)	15,674	2,465	13,209	(8,306)	(1,560)	(6,746)
At end of year	164,295	31,248	133,047	146,067	27,982	118,085

Scheme assets do not include any of the Company's own financial instruments or any property occupied by the Company.

The income on plan assets is determined by considering returns available on the assets underlying the current investment policy. Yields on fixed interest investments are based on gross redemption yields as at the reporting date. Return on equities reflect the long term real rates of return experienced in the market. The actual return on Scheme assets in the year was a gain of £19.9m (2018, loss of £4.4m)

Movement in surplus during the year	Total 2019 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000	Total 2018 £'000	LSF Fund 2018 £'000	TN Fund 2018 £'000
Surplus in the Scheme at the beginning of the year	12,084	2,041	10,043	5,562	715	4,847
Movement in the year:						
Employer contributions	2,630	430	2,200	2,630	430	2,200
Current service costs	(216)	(216)	-	(290)	(54)	(236)
Net return on assets	375	63	312	159	21	138
Actuarial gain	4,432	144	4,288	4,023	929	3,094
Surplus in the Scheme at the end of year	19,305	2,462	16,843	12,084	2,041	10,043

Movement in surplus during the year	Total 2019 \$'000	LSF Fund 2019 \$'000	TN Fund 2019 \$'000	Total 2018 \$'000	LSF Fund 2018 \$'000	TN Fund 2018 \$'000
Surplus in the Scheme at the end of year	25,484	3,250	22,234	15,467	2,612	12,855
Related deferred tax liability	(4,333)	(553)	(3,780)	(2,629)	(444)	(2,185)
Limit on pension asset recognition	-	-	-	(12,838)	(2,168)	(10,670)
Net Pension Asset	21,151	2,697	18,454	-	-	-

The movement disclosed in the Statement of Comprehensive Income shows the limit on pension asset recognition is \$Nil as the pension asset has been fully recognised in the year (2018, \$12.8m). The actuarial gain recognised on the pension scheme is £4.4m, or \$5.9m (2018, gain of £4.0m or \$5.1m). The movement on deferred tax relating to the pension asset is a debit of \$1.7m (2018, debit of \$1.4m).

Analysis of amount recognised in Statement of Comprehensive Income	Total 2019 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000	Total 2018 £'000	LSF Fund 2018 £'000	TN Fund 2018 £'000
Return on plan assets excluding interest income	15,674	2,465	13,209	(8,306)	(1,560)	(6,746)
Changes in assumptions underlying the Scheme liabilities	(11,083)	(2,474)	(8,609)	12,198	2,456	9,742
Movement in year on pension asset recognition	9,725	1,642	8,083	(5,197)	(1,073)	(4,124)
Gain/(loss) recognised in Statement of Comprehensive Income	14,316	1,633	12,683	(1,305)	(177)	(1,128)

	Total 2019 \$'000	LSF Fund 2019 \$'000	TN Fund 2019 \$'000	Total 2018 \$'000	LSF Fund 2018 \$'000	TN Fund 2018 \$'000
Gain/(loss) recognised in Statement of Comprehensive Income	18,897	2,156	16,741	(1,670)	(227)	(1,443)

The cumulative amount of loss recognised in the Statement of Comprehensive Income is £7.4m (2018, £21.7m).

Analysis of net return on Pension Scheme	2019 £'000	2018 £'000
Income on plan assets	4,264	3,868
Interest on pension liabilities	(3,889)	(3,709)
Net return	375	159

History of defined benefit assets and obligations and experience gains and losses	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Return on plan assets excluding interest income:					
Amount	15,674	(8,306)	9,288	11,484	(3,257)
Percentage of scheme assets	10%	(6)%	6%	8%	(3)%
Experience losses/(gains) on scheme liabilities:					
Amount	-	-	-	(2,961)	34
Percentage of scheme liabilities	0%	0%	0%	2%	0%
History of defined benefit assets and obligations					
Defined benefit obligations	144,990	133,983	151,973	145,219	110,790
Fair value of scheme assets	164,295	146,067	165,515	142,801	124,282
(Surplus)/deficit	(19,305)	(12,084)	(13,542)	2,418	(13,492)

The movement in the deferred taxation liability on the Pension Scheme during the year is as follows:

	2019 \$'000	2018 \$'000
At beginning of year	(2,630)	(1,267)
Tax credit taken to Statement of Comprehensive Income	(1,703)	(1,363)
At end of year	(4,333)	(2,630)

24 Contingencies and capital commitments

- a) The Company, as the leaseholder, had the following commitments to pay rentals, analysed according to the period in which the lease expires:

	2019	2018
	\$'000	\$'000
Expiring within one year	556	1,352
Expiring between one and five years	2,223	5,409
Expiring after more than five years	1,549	2,947
	4,328	9,708

Rental costs in the year are paid for by MISL. For a full breakdown of rental costs, please refer to the MISL Annual Report and Financial Statements.

- b) The Company has outstanding liabilities, covered by certain assets, in respect of outstanding letters of credit amounting to \$10.5m (2018, \$9.9m).
- c) Certain investments are deposited in the UK and overseas, in accordance with local laws and regulations, as security for policyholders.
- d) An escrow agreement was put in place in connection with the LSF Fund section of the Terra Nova Insurance Company Limited Pension and Life Assurance Scheme, whereby the Company is required to make additional contributions to the LSF Fund Section should the AM best credit rating of the Company fall below A-.

25 Part VII transfer to Markel Insurance Societas Europaea

On 29 March 2019 the UK High Court approved the Part VII transfer of the Company's legacy EEA exposures, claims and policies to MISE to provide certainty for the Company's policyholders if the Company were to be prevented from paying claims and administering policies following the UK's decision to leave the European Union. The transfer was effective from 31 March 2019. A summary of the assets and liabilities transferred is below.

	\$'000
Investments	172,475
Reinsurers' share of provisions for unearned premiums	2,833
Reinsurers' share of claims outstanding	49,311
Debtors arising out of direct and reinsurance operations	22,007
Deferred acquisition costs	8,886
Total Assets	255,512
Provisions for unearned premiums	44,937
Claims outstanding	210,575
Total Liabilities	255,512

26 Related party information

As a qualifying entity, the Company has taken advantage of the exemption not to disclose transactions with other wholly owned subsidiaries of Markel.

During the year the Company had two insurance policies in force with related parties. The Company

had a 4.8554% share on a £1,000,000 excess of £10,000 Miscellaneous PI policy that inceptioned on 1 June 2018 and expired on 31 October 2019 with The Message Exchange Ltd, a company of which Hugh Maltby is a director. The Company also had a D&O policy with a limit of £5m with the Lloyd's Market Association, a company of which Hannah Purves is a director.

27 Ultimate holding company

The Company's immediate parent company is Markel Capital Holdings Limited. The Company's ultimate holding company is Markel Corporation, which is incorporated in the USA. Copies of the ultimate holding company's consolidated Financial Statements may be obtained from 4521 Highwoods Parkway, Glen Allen, Virginia 23060, USA. The website address is www.markelcorp.com.

28 Events since the reporting date

On March 5 2020 and March 6 2020 the High Courts of the UK and Jersey respectively, granted approval for a Part VII transfer whereby the Company will assume all insurance obligations of ECIC effective March 20 2020.

The Directors have considered the ongoing emergence and spread of coronavirus (COVID-19) and assessed the potential impact or loss to the business arising from Underwriting Risk, Market Risk and Operational Risks. Further details can be found in the Strategic Report (page 8).

