Markel International Insurance Company Limited.

Annual Report and Financial Statements for the year ended 31 December 2018

Registered Number 966670

MARKEL®

Markel International Insurance Company Limited
Annual Report and Financial Statements
for the year ended 31 December 2018

Contents

Directors and Administration

Board of Directors

Ralph C Snedden (Chair)
Simon C Barrett
Andrew J Davies
Paul H Jenks
Nicholas J S Line
Hugh A J Maltby
Ian Marshall
Hannah E Purves
John W J Spencer
William D Stovin
Anne Whitaker
Simon Wilson

Company Secretary

Andrew J Bailey

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 966670 (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 2018.

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’s principal activity is the transaction of general insurance from its office in London and its branch operations in Spain, the Netherlands, Germany, Ireland and 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.

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, 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 emerging risks account covers a variety of exposures including cyber (privacy, data breach and electronic risks), intellectual property rights infringements (patents), and libel & slander across multiple industries and sectors.

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

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 commmercial 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.

Markel Assurance

Markel 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 intends to scale back its operations in Latin America and intends to only write surety business on an ongoing basis.

Results and performance

The results of the Company for the year, as set out on pages 18 to 20 show a profit on ordinary activities before taxation of $51.4m (2017, loss of $32.0m). Shareholder's funds as at 31 December 2018 were $508.1m (2017, $542.9m).

The Company reported an underlying underwriting profit of $22.0m for the year (2017, loss of $115.1m).

This represents a combined ratio of 95.6% (2017, 127.2%). The underwriting result has been adversely impacted by $18.2m of natural catastrophe net losses during the third and fourth quarters of 2018 (typhoon Jebi, hurricane Michael, and hurricane Florence). While none of these catastrophe losses individually or in total exceeded the Company's risk appetite for market events of this size, they contributed 3.7% to the combined ratio.

These losses were offset by a release from prior year reserves of $75.4m (2017, $67.6m). This release is a result of more favourable claims development than originally anticipated, including $10.7m of revisions to the natural catastrophes losses that occurred during 2017, and the work of our claims department in dealing with claims in an expeditious manner.

Gross written premiums of $688.4m for the year represent an increase on prior year of 20.7%.

The investment return of $23.0m comprises income of $24.6m, net realised gains of $0.9m and unrealised losses on the equity portfolio of $1.3m.

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	**2014 $m**	**2015 $m**	**2016 $m**	**2017 $m**	**2018 $m**
Gross written premiums	623.8	503.4	451.4	570.3	688.4
Net written premiums	378.8	238.5	363.0	464.8	524.2
Retention rate	60.7%	47.4%	80.4%	81.5%	76.1%
Net earned premiums	**330.6**	**271.9**	**372.1**	**422.9**	**492.6**
Underlying underwriting result (1)	**11.1**	**44.5**	**34.6**	**(115.1)**	**22.0**
Loss and LAE ratio	55.0%	25.3%	42.3%	84.5%	50.1%
Expense ratio	41.7%	58.3%	48.4%	42.7%	45.5%
Combined ratio	**96.7%**	**83.6%**	**90.7%**	**127.2%**	**95.6%**
Investment return	84.4	39.1	51.2	82.6	23.0
Investment yield	5.8%	2.6%	3.9%	6.3%	1.8%
Profit/(loss) on ordinary activities (2)	**89.0**	**98.2**	**99.8**	**(32.0)**	**51.4**

Statement of Financial Position	**2014 $m**	**2015 $m**	**2016 $m**	**2017 $m**	**2018 $m**
Financial investments (3)	1,638.6	1,375.1	1,245.0	1,350.9	1,267.2
Reinsurers' share of claims outstanding	618.8	615.9	557.2	500.8	550.0
Gross claims outstanding	1,413.7	1,344.9	1,192.5	1,332.2	1,339.8
Net claims outstanding	794.9	729.0	635.3	831.4	789.8
Shareholder's Equity	**706.3**	**580.7**	**618.7**	**542.9**	**508.1**
Required Capital (4)	**263.9**	**255.6**	**323.0**	**368.0**	**331.5**

(1) excluding movement on equalisation provision
(2) profit/(loss) on ordinary actvities is equal to profit before taxation for all years.
(3) excluding investments in subsidiaries
(4) 2014 - 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 2019.

During 2018 the Company continued to operate through its European branch network, with the UK's decision to leave the European Union ("EU") ("Brexit") the Company's ability to service insurance contracts is likely to be impacted. The effects of Brexit will depend in part on any agreements the UK makes to retain access to EU markets either during a transitional period or more permanently. In response to the risks posed by Brexit, Markel have established a regulated insurance carrier, Markel Insurance Societas Europaea ("MISE"), in Munich, Germany. From its offices in Germany, MISE can transact business in all remaining EU member states and throughout the EEA. MISE established branches in Ireland, the Netherlands, Spain, and the UK; essentially replicating the EEA branch network of the Company.

The Company has commenced the transfer of its 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. However, this transfer must be approved by the UK High Court, and there is no guarantee that this approval will be granted or on what terms and conditions. The Court date for the approval of this transfer is set for 28 March 2019. Furthermore, EEA renewals previously underwritten by the Company have started transitioning to MISE from 1 January 2019.

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

By order of the Board,

Andrew J Davies
Director
London
26 March 2019

Directors' Report

The Directors submit the Annual Report and Financial Statements of the Company for the year ended 31 December 2018.

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 $75.0m were paid (2017, $50.0m).

Directors

The Directors of the Company who served during 2018 and up to the date of this report were as follows:

Ralph C Snedden	(Chair)
Simon C Barrett	(Appointed 6 March 2019)
Andrew J Davies	
Paul H Jenks	
Nicholas J S Line	
Hugh A J Maltby	
Ian Marshall	
Jeremy A Noble	(Resigned 30 June 2018)
Hannah E Purves	
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 of 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 (2017, Nil).

Carbon policy

As set out in the “Markel 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 Markel 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

There have been no material events since the reporting date.

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,

Andrew J Davies
Director
London

26 March 2019

Statement of Directors' Responsibilities

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

The Directors are responsible for preparing the Strategic Report, 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.

KPMG

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 2018 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 2018 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 appointed as auditor by the Directors on 27 July 2000. The period of total uninterrupted engagement is for the 18 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Financial Statements as a whole	$5.0m (2017: $4.5m)	
Coverage	100% (2017: 100%) of Gross Written Premium	
Risks of material misstatement		**vs 2017**
Recurring risks	Valuation of claims outstanding	◄►
	Valuation, existence and accuracy of premium estimates	◄►

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

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

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 7 (Business environment and future developments)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in claims outstanding and premium estimates below. Both of these depend on assessments of the future economic environment and the Company's future prospects and performance. In addition, we are required to consider the information presented in the Strategic Report including the business environment and future developments paragraph and to consider whether the Directors' report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: – **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. – **Assessing transparency:** As well as assessing valuation and individual disclosures as part of our procedures on claims outstanding and premium estimates, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under claims outstanding and premium estimates below, we found the resulting estimates and related disclosures of these items to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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	The risk	Our response
Valuation of claims outstanding (Gross claims outstanding: $1,339.8 million; 2017: $1,332.2 million; Net claims outstanding: $789.7 million; 2017: $831.4 million) *Refer to page 24 (accounting policy) and page 42 (financial disclosures).*	**Subjective valuation:** The valuation of claims outstanding is the area requiring the most significant judgement in the Financial Statements. 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 loss ratios. For some classes, a slight change in assumption could result in a large change in estimate and therefore risk of error. We consider the highest risk to be connected with those classes of business that are material or where there: — have been changes in methodology and/or assumptions; or — Is evidence of significant or unexpected developments; or — are classes with a long tail. This higher risk will also include focus on catastrophe reserves given the events of 2017. There remains both positive and negative uncertainty, on a gross basis, over the claims outstanding in respect of these events. Additionally, the output of the actuarial valuation is underpinned by the quality of the data that is being utilised. There is a risk over the completeness and accuracy of data. 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. The effect of these matters is that, as part of our risk assessment, we determined 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.	Our procedures included: **Control design and re-performance:** We tested the design, implementation and operating effectiveness of key controls over the reserving process. These included: — data reconciliations to ensure completeness and accuracy of data extracted from the relevant systems used by the actuaries to set reserves; — management comparisons of quarterly movements, by class of business, in gross and net ultimates. For those movements which were above pre-defined thresholds, management investigated and challenged the assumptions. We also performed an assessment of the governance processes and whether the Company followed the documented reserving policy in setting reserves. We involved our actuarial specialists to assist us in our challenge of the methodology and assumptions adopted as follows. – **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 loss ratios (gross and net of reinsurance) and compared these to the Company's results. Where there were material differences in results, we challenged the Company's assumptions to assess whether the Company's estimate fell within a reasonable range. The classes selected were concentrated on areas where there have been changes in methodology and/or assumptions and areas showing significant or unexpected developments. For classes not projected we performed diagnostic and other procedures to assess for reasonableness and investigated any material deviations. – **Expert judgement:** 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. – **Comparative benchmarking:** We performed contract by contract benchmarking of catastrophe reserves against other London Market insurers and benchmarking for non-projected classes. – **Assessment of reserving methodology:** We have considered the consistency of the reserving methodology which included the adjustments to the Q3 reserving loss ratios to the Q4 booked reserves. **Test of details:** For data used in the actuarial reserving process, we have tested the underlying premiums and claims data including their attached attributes. **Margin evaluation:** We have evaluated the consistency and appropriateness of the margin in line with accounting standards, management's assessment of uncertainty and the Company's reserving philosophy. **Assessing transparency:** We have considered the adequacy of the Company's disclosures in respect of the degree of sensitivity to key assumptions. **Our results** We found the valuation of claims outstanding to be acceptable (2017: acceptable).

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2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Valuation, existence and accuracy of premium estimates (Accrued premium income $144.0 million; 2017: $120.6 million) *Refer to page 23 (accounting policy) and page 31 (financial disclosures).*	**Subjective estimate:** There is a risk that management do not recognise premium estimates in line with the contract terms, including adjustments made to premium estimates, delegated authority agreements, reinstatement premiums and other ad hoc adjustments.	Our procedures included: **Control design and re-performance:** We have tested the design and implementation of key controls over accrued premium income, including the credit control procedures over debtor recoverability. **Retrospective analysis:** We performed analytical procedures to compare the estimated premium receivable against total unearned premiums for 2018 and the preceding two years to assess for consistency in approach and any evidence of material adjustments required. We also compared the Company's annual adjustment of outstanding estimated premium, by line of business, to total estimated premium, for the 2018 year end and the proceeding two year ends. We then investigated any significant movements. **Test of detail:** We identified significant estimated premium additions made within 2018 and assessed the premium booked for reasonableness based on supporting underwriting documentation including broker slips and policy documents. We also selected a sample of estimated premium adjustments inclusive of the last three underwriting years and assessed the premium receivable for reasonableness and recoverability based on supporting underwriting documentation, endorsements and settlements. **Our results** We found the valuation of premium estimates to be acceptable (2017: acceptable).

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 $5.0 million (2017: $4.5 million), determined with reference to a benchmark of Gross Written Premium, of which it represents 0.73% (2017: 0.79%).

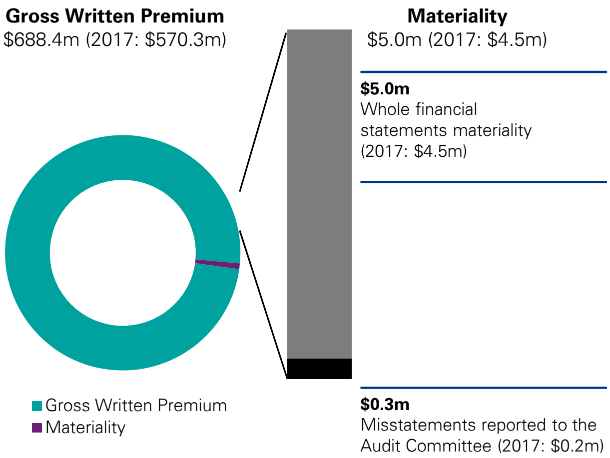
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.3 million (2017: $0.2 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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 Bermuda and USA office locations.

KPMG Bermuda performed testing on Markel Assurance division policies written by the Company. This included substantive procedures over gross written premium, claims paid and claims outstanding.

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

For both KPMG Bermuda and KPMG USA we evaluated the scope of the work and the information reported back to ensure that it addressed the risks relevant to our audit.



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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 a disorderly Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

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

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

5. We have nothing to report on the 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 and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of company's licence to operate. We identified the following areas as those most likely to have such an effect: Companies Act and Prudential Regulatory Authority - regulatory capital and liquidity recognising the financial and regulated nature of the Company's activities and its legal form. 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. These limited procedures did not identify actual or suspected non-compliance.

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
26 March 2019

KPMG

Income Statement: Technical Account

for the year ended 31 December 2018

		2018		2017	
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Earned premiums, net of reinsurance					
Gross written premiums	3	688,426		570,313	
Outward reinsurance premiums		(164,240)		(105,499)	
Net written premiums			524,186		464,814
Change in the gross provision for unearned premiums		(44,237)		(46,429)	
Change in the provision for unearned premiums reinsurers' share		12,687		4,468	
			(31,550)		(41,961)
Net Earned Premiums			**492,636**		**422,853**
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(341,639)		(255,164)	
Reinsurers' share		79,110		52,439	
Net paid claims		(262,529)		(202,725)	
Change in the provision for claims					
Gross amount		(36,964)		(160,576)	
Reinsurers' share		52,893		5,900	
Net change in provision		15,929		(154,676)	
Net claims incurred			**(246,600)**		**(357,401)**
Net operating expenses	5		**(224,042)**		**(180,573)**
Balance on the technical account			**21,994**		**(115,121)**

The notes on pages 24 to 53 form part of these Financial Statements.

Income Statement: Non-Technical Account

for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Balance on the technical account		21,994	(115,121)
Investment income	6	33,714	41,997
Investment expenses and charges	7	(8,224)	(8,421)
Unrealised (losses)/gains on investments	8	(2,484)	49,026
Net foreign exchange gains		6,371	529
Profit/(loss) on ordinary activities before taxation	9	**51,371**	**(31,990)**
Taxation on profit/(loss) on ordinary activities		(8,134)	7,022
Profit/(loss) for the year		**43,237**	**(24,968)**

The notes on pages 24 to 53 form part of these Financial Statements.

Statement of Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Profit/(loss) for the year		43,237	(24,968)
Profit recognised in pension schemes	24	4,982	7,169
Movement on deferred tax relating to pension scheme	24	(1,363)	(1,802)
Movement on pension asset recognition limit	24	(6,652)	(6,185)
Total Comprehensive Income/(Retained Loss) for the year		**40,204**	**(25,786)**

The notes on pages 24 to 53 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2018

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**

2017	**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)	189,309	**618,711**
Total comprehensive retained loss for the year	-	-	-	(25,786)	**(25,786)**
Dividends paid	-	-	-	(50,000)	**(50,000)**
At end of year	**267,202**	**199,765**	**(37,565)**	**113,523**	**542,925**

The notes on pages 24 to 53 form part of these Financial Statements

Statement of Financial Position: Assets

as at 31 December 2018

	Notes	2018 $'000	2017 $'000
Investments			
Investments in group undertakings and participating interests	13	4,790	5,939
Other financial investments	13	1,267,150	1,350,941
Deposits with ceding undertakings		3,745	4,498
		1,275,685	**1,361,378**
Reinsurers' share of technical provisions			
Provisions for unearned premiums	19	55,571	43,603
Claims outstanding	19	550,048	500,789
		605,619	**544,392**
Debtors			
Debtors arising out of direct insurance operations	14	189,828	78,735
Debtors arising out of reinsurance operations	14	110,414	105,726
Other debtors including taxation	16	36,171	40,929
		336,413	**225,390**
Tangible Assets			
Tangible assets	17	8	37
		8	**37**
Prepayments and accrued income			
Accrued interest		7,219	7,917
Deferred acquisition costs	19	52,113	49,936
		59,332	**57,853**
Total Assets		**2,277,057**	**2,189,050**

The notes on pages 24 to 53 form part of these Financial Statements.

Statement of Financial Position: Liabilities

as at 31 December 2018

	Notes	2018 $'000	2017 $'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		78,727	113,523
Shareholder's funds attributable to equity interests		**508,129**	**542,925**
Technical provisions			
Provisions for unearned premiums	19	271,354	241,771
Claims outstanding	19	1,339,775	1,332,169
		1,611,129	**1,573,940**
Provisions for other risks and charges	20	-	150
Creditors			
Creditors arising out of direct insurance operations	21	55,773	21,087
Creditors arising out of reinsurance operations	21	89,415	36,831
Deferred taxation liability	15	846	1,143
Other creditors including taxation and social security	22	11,766	12,974
		157,800	**72,035**
Net liabilities excluding pension liability		**2,277,058**	**2,189,050**
Pension liability	24	-	-
Total Liabilities and Shareholder's Funds		**2,277,058**	**2,189,050**

The notes on pages 24 to 53 form part of these Financial Statements.

Approved by the Board of Directors on 26 March 2019 and signed on behalf of the Company by Andrew Davies, Company Director.

Andrew J Davies
Director
London

26 March 2019

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 for the year ended 31 December 2018 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. Management is not able to estimate the additional loss, or range of loss, that is reasonably possible.

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 is it 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 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 underwriting 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 by the Company's Legal and Regulatory department.

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

An independent reviewer performs a qualitative review 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 protocols 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

Combined Ratio 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	2018 $'000	2017 $'000
Impact on result of 5% increase in stock market prices	13,580	13,742
Impact on result of 5% decrease in stock market prices	(13,580)	(13,742)
Impact on net assets of 5% increase in stock market prices	11,271	11,406
Impact on net assets of 5% decrease in stock market prices	(11,271)	(11,406)

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.

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**

2017 Currency Code	GBP'000	USD'000	EUR'000	CAD'000	AUD'000	JPY'000	Other'000	Total'000
Investments	334,531	857,836	113,529	545	6,301	11,148	37,488	1,361,378
Reinsurers' share of technical provisions	99,365	369,129	44,849	5,112	6,542	(650)	20,045	544,392
Insurance and reinsurance receivables	77,147	80,513	10,250	(159)	2,620	566	13,524	184,461
Other assets	51,349	26,519	9,249	(12)	(334)	589	11,459	98,819
Total assets	**562,392**	**1,333,997**	**177,877**	**5,486**	**15,129**	**11,653**	**82,516**	**2,189,050**
Technical provisions	519,559	762,898	176,698	(3,978)	6,917	14,471	97,375	1,573,940
Insurance and reinsurance payables	12,460	38,418	4,026	(191)	1,157	20	2,028	57,918
Other creditors	(2,046)	16,913	(479)	2	10	-	(133)	14,267
Total liabilities	**529,973**	**818,229**	**180,245**	**(4,167)**	**8,084**	**14,491**	**99,270**	**1,646,125**

d) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due. 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 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 and 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.

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**

2017	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	-	333	-	-	-	274,843	275,176
Debt securities	471,964	247,409	44,880	-	-	-	764,253
Short term investments	19,994	-	-	-	-	-	19,994
Money market funds	229	6,226	14,533	-	-	-	20,988
Deposits with credit institutions	-	38	205,115	65,377	-	-	270,530
Reinsurers' share of claims outstanding	17,704	93,000	387,538	-	-	2,547	500,789
Reinsurance debtors	3,738	19,634	81,816	-	-	538	105,726
Total credit risk	**513,629**	**366,640**	**733,882**	**65,377**	**-**	**277,928**	**1,957,456**

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 3.9 years (2017, 4.2 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 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. This 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.

3 Analysis of underwriting result

a) Analysis of business by class

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**

2017	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	88,102	66,081	(52,291)	(24,116)	(4,181)	(14,507)
Fire and other damage to property	13,971	11,443	(3,478)	(4,176)	(774)	3,015
Third party liability	219,426	221,143	(111,925)	(80,704)	(13,936)	14,578
Miscellaneous	97,033	90,543	(45,368)	(33,043)	(5,301)	6,831
Total Direct	**418,532**	**389,210**	**(213,062)**	**(142,039)**	**(24,192)**	**9,917**
Reinsurance	151,781	134,674	(202,678)	(49,148)	(7,886)	(125,038)
Total	**570,313**	**523,884**	**(415,740)**	**(191,187)**	**(32,078)**	**(115,121)**

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

	Gross Written Premiums		Profit /(Loss) Before Taxation	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
United Kingdom				
Direct	384,668	313,785	12,659	8,405
United States				
Direct	64	-	169	(127)
Rest of World				
Direct	450	260	9,481	2,318
Europe (excluding UK)				
Direct	169,475	104,487	(1,267)	(679)
	554,657	**418,532**	**21,042**	**9,917**
Reinsurance			952	(125,038)
Investment return			23,006	82,602
Foreign exchange gains			6,371	529
Profit/(loss) on ordinary activities before taxation			**51,371**	**(31,990)**

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	
	2018 $'000	2017 $'000
United States	146,792	130,648
United Kingdom	296,697	231,270
Europe (excluding UK)	140,364	106,093
Rest of the world	103,909	101,929
Canada	664	373
Total	**688,426**	**570,313**

4 Movement in prior year's provision for claims outstanding

The Company experienced a net favourable loss development in the year of $75.4m (2017, $67.6m).

5 Net operating expenses

	2018 $'000	2017 $'000
Acquisition costs	147,223	117,657
Change in deferred acquisition costs	(6,747)	(12,336)
Administrative expenses	102,487	85,866
Gross operating expenses	**242,963**	**191,187**
Reinsurance commissions and profit participation	(18,921)	(10,614)
Net operating expenses	**224,042**	**180,573**

Included in administrative expenses is auditors remuneration of $435.1k (2017, $358.3k).

	2018 $	2017 $
Audit of the Financial Statements	321,203	283,955
Audit related assurance services	113,850	74,359
Total	**435,053**	**358,314**

Total commissions for direct insurance accounted for during the year amounted to $115.1m (2017, $90.9m).

6 Investment income

	2018 $'000	2017 $'000
Income from investments	32,058	36,621
Gains on the realisation of investments	1,656	5,376
Total	**33,714**	**41,997**

7 Investment expenses and charges

	2018 $'000	2017 $'000
Investment management expenses, including interest	5,622	5,032
Amortisation of fixed interest securities	1,875	3,318
Losses on the realisation of investments	727	71
Total	**8,224**	**8,421**

8 Investment return

	2018 $'000	2017 $'000
Investment income	33,714	41,997
Investment expenses and charges	(8,224)	(8,421)
Unrealised (losses)/gains on investments	(1,335)	49,026
Impairment loss on subsidiary	(1,149)	-
Return on investments	**23,006**	**82,602**

9 Profit/(loss) on ordinary activities before taxation

	2018 $'000	2017 $'000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Rentals under operating leases - land and buildings	1,666	1,466
Depreciation	29	37

10 Taxation

a) Analysis of charge for the year

Total taxation charge/(credit) in the Income Statement: Non-Technical Account.

	2018 $'000	2017 $'000
Current Taxation		
Current tax charge/(credit) on profit/(loss) for the period - UK corporation tax	8,866	(6,588)
Current tax charge/(credit) on profit/(loss) for the period - US corporation tax	9,244	-
Current tax (credit)/charge on profit/(loss) for the period - US corporation tax settled by Markel Corporation under the tax sharing agreement	(9,244)	-
Adjustment in respect of prior periods	(435)	(139)
Total current tax charge/(credit)	**8,431**	**(6,727)**
Deferred Taxation		
Origination and reversal of timing differences	(297)	(310)
Adjustment in respect of prior periods	-	15
Deferred tax charge/(credit) on profit/(loss) for the period - US corporation tax	25,965	-
Deferred tax (credit)/charge on profit/(loss) for the period - US corporation tax settled by Markel Corporation under the tax sharing agreement	(25,965)	-
Total deferred tax credit	**(297)**	**(295)**
Taxation charge/(credit) on profit/(loss) on ordinary activities	**8,134**	**(7,022)**

Analysis of current tax recognised in the Income Statement: Non-Technical Account

	2018 $'000	2017 $'000
UK corporation tax (charge)/credit	(8,431)	6,727
Total current tax (charge)/credit recognised in the Income Statement: Non-Technical Account	**(8,431)**	**6,727**

b) Factors affecting the taxation charge for the year

The taxation charge assessed for the year is lower (2017, higher) than the standard rate of corporation taxation in the UK of 19.00% (2017, 19.25%). The differences are explained below:

	2018 $'000	2017 $'000
Profit/(loss) on ordinary activities before taxation	51,371	(31,990)
Profit/(loss) on ordinary activities multiplied by standard effective rate of corporation taxation in the UK of 19.00% (2017, 19.25%)	9,760	(6,158)
Effects of		
Dividend income not taxable	(793)	(659)
US corporation tax	9,244	-
US corporation tax settled my Markel Corporation under the tax sharing agreement	(9,244)	-
Other permanent differences	333	(538)
Prior year adjustment	(435)	(124)
Other	(731)	457
Total tax charge/(credit) for the year	**8,134**	**(7,022)**

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.

	2018 £	2017 £
Aggregate remuneration	4,217,967	4,078,782
Company pension contributions to money purchase schemes	-	58,944

Retirement benefits are accruing to five Directors under defined contribution pension schemes (2017, five) and to two Directors under a defined benefit scheme (2017, two).

In February 2019, 859 Markel shares were awarded to seven Directors vesting on 31 December 2021 based on continuous employment to that date.

Highest paid Director

	2018 £	2017 £
Aggregate remuneration and benefits under long term incentives (excluding gains on exercise of share options and value of shares received)	882,196	726,319

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

In February 2019, 359 Markel shares were awarded to the highest paid Director vesting on 31 December 2021 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 Columbia are employed by the Company. A breakdown of their employment costs is provided below.

Staff costs	2018 $'000	2017 $'000
Wages and salaries	1,861	1,634
Social security costs	237	(38)
Other pension costs	87	149
	2,185	**1,745**

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

	2018	2017
Administration and finance	9	9
Sales, marketing and underwriting	5	6
	14	**15**

13 Investments

Investments in subsidiaries and participating interests

	Carrying Value		Cost	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Shares in subsidiaries at beginning of year	5,939	5,939	8,538	8,538
Impairment loss on subsidiary	(1,149)	-	-	-
Shares in subsidiaries at end of year	**4,790**	**5,939**	**8,538**	**8,538**

Set out below are the Company's subsidiaries as at 31 December 2018.

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 Limited	England and Wales	100% Ordinary Shares*	Expense Services
Markel Europe Limited	England and Wales	100% Ordinary Shares*	Insurance Agent Service Company

*held by Markel Syndicate Management Limited

For all of the above, the registered office is 20 Fenchurch Street, London, EC3M 3AZ.

Other financial investments

	Carrying Value		Cost	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Shares and other variable yield securities and units in unit trusts	271,916	275,176	116,824	118,531
Debt securities and other fixed income securities	704,196	764,253	716,207	764,469
Short term investments (debt securities and commercial paper)	28,955	19,994	28,955	19,994
Money market funds	25,726	20,988	25,726	20,988
Deposits with credit institutions	236,357	270,530	236,357	270,530
Total	**1,267,150**	**1,350,941**	**1,124,069**	**1,194,512**

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**

2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Shares and other variable yield securities and units in unit trusts	274,843	333	-	275,176
Short term investments	19,994	-	-	19,994
Total	**294,837**	**333**	**-**	**295,170**

The debt and other fixed income securities which are shown at amortised cost are analysed below:

	2018 $'000	**2017 $'000**
Cost	716,207	764,469
Cumulative amortisation	(12,011)	(216)
Amortised cost	704,196	764,253
Market Value	730,656	810,261

The redemption value of investments held at the year end was $32.5m higher (2017, $36.8m higher) than the amortised cost.

14 Debtors arising out of direct insurance operations and reinsurance operations

	Direct Insurance Operations		Reinsurance Operations	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Amounts owed by fellow Markel subsidiaries	422	262	2,759	6,293
Amounts owed by intermediaries	189,406	78,473	107,655	99,433
Total	**189,828**	**78,735**	**110,414**	**105,726**

15 Deferred taxation

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

	2018 $'000	2017 $'000
Difference between accumulated depreciation and capital allowances	84	98
Other timing differences	(930)	(1,241)
Total liability	**(846)**	**(1,143)**

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

	Deferred Tax Liability 2018 $'000	Pension Tax Liability 2018 $'000	Total 2018 $'000	Total 2017 $'000
At beginning of year	(1,143)	(1,267)	**(2,410)**	**(903)**
Income Statement credit - current	297	-	**297**	**295**
Movement in Statement of Comprehensive Income	-	(1,363)	**(1,363)**	**(1,802)**
At end of year	**(846)**	**(2,630)**	**(3,476)**	**(2,410)**

Deferred taxation in respect of timing differences expected to reverse in 2019 and subsequent years has been calculated at a deferred tax rate of 17% (2017, 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 is recognised in respect of the pension asset.

No deferred tax asset is recognised in respect of aggregate cumulative unrelieved tax losses of $55.2m (2017, $64.7m) 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

	2018 $'000	2017 $'000
Amounts owed by fellow Markel subsidiaries	40,611	33,606
Current taxation	-	6,970
Other debtors	(4,440)	353
Total	**36,171**	**40,929**

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	-	-	-
Disposals in the year	-	-	-
At the end of the year	53	1,355	1,408
Accumulated depreciation			
At the beginning of the year	(45)	(1,326)	(1,371)
Charge for the year	(8)	(21)	(29)
At the end of the year	(53)	(1,347)	(1,400)
Net book value			
At 31 December 2018	**-**	**8**	**8**
At 31 December 2017	**8**	**29**	**37**

18 Share capital

The share capital of the Company is as follows:

Called up, allotted and fully paid

	2018 $'000	2017 $'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.

	2018			2017		
Provision for claims outstanding	**Gross $'000**	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
At 1 January	1,332,169	(500,789)	831,380	1,192,447	(557,187)	635,260
Movement in provision	36,964	(52,893)	(15,929)	160,576	(5,900)	154,676
Part VII transfer	-	-	-	(80,414)	69,085	(11,329)
Movement due to foreign exchange	(29,358)	3,634	(25,724)	59,560	(6,787)	52,773
Total movement in reserves	7,606	(49,259)	(41,653)	139,722	56,398	196,120
At 31 December	**1,339,775**	**(550,048)**	**789,727**	**1,332,169**	**(500,789)**	**831,380**

	2018			2017		
Provision for unearned premiums	**Gross $'000**	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
At 1 January	241,771	(43,603)	198,168	186,451	(38,237)	148,214
Movement in provision	44,237	(12,687)	31,550	46,429	(4,468)	41,961
Movement due to foreign exchange	(14,654)	719	(13,935)	8,891	(898)	7,993
Total movement in reserves	29,583	(11,968)	17,615	55,320	(5,366)	49,954
At 31 December	**271,354**	**(55,571)**	**215,783**	**241,771**	**(43,603)**	**198,168**

Deferred acquisition costs	**2018 $'000**	**2017 $'000**
At 1 January	49,936	35,827
Change in deferred acquisition costs	6,747	12,336
Movement due to foreign exchange	(4,570)	1,773
At 31 December	**52,113**	**49,936**

On March 9, 2015, the Company completed a retrospective reinsurance transaction to cede a portfolio of policies comprised of liabilities arising from asbestos and environmental exposures that originated before 1992. The final Court hearing was held on 23 March 2017 where the Part VII transfer was granted and the transfer effective from 31 March 2017, at which point $11.3m of net reserves were transferred.

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 2018
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	Total $'000
Estimate of cumulative claims incurred										
At end of underwriting year		80,883	91,670	92,711	188,809	144,243	143,498	326,878	248,046	
One year later		151,775	161,714	310,513	351,174	302,646	261,606	506,181		
Two years later		153,694	281,512	258,702	307,265	289,647	236,080			
Three years later		295,568	251,410	233,101	314,341	280,055				
Four years later		278,350	247,267	218,977	297,835					
Five years later		270,819	246,456	207,913						
Six years later		261,719	241,587							
Seven years later		257,877								
Cumulative paid claims										
At end of underwriting year		(7,579)	(4,576)	(4,544)	5,631	(9,097)	(12,652)	(44,774)	(11,781)	
One year later		(36,358)	(31,800)	(46,905)	(51,211)	(46,428)	(43,325)	(177,055)		
Two years later		(60,961)	(103,338)	(80,841)	(109,482)	(97,909)	(82,898)			
Three years later		(149,070)	(130,205)	(105,156)	(148,846)	(129,232)				
Four years later		(72,641)	(165,904)	(117,233)	(165,488)					
Five years later		(180,488)	(184,111)	(125,061)						
Six years later		(189,516)	(195,401)							
Seven years later		(197,989)								
Total outstanding claims provision per the Statement of Financial Position	**152,275**	**56,719**	**46,186**	**82,852**	**132,347**	**150,823**	**153,182**	**329,126**	**236,265**	**1,339,775**

Net outstanding claims provision as at 31 December 2018

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	Total $'000
Estimate of cumulative claims incurred										
At end of underwriting year		76,076	85,978	72,900	115,698	110,062	112,876	270,405	168,793	
One year later		140,481	155,202	161,361	229,058	211,116	194,658	412,950		
Two years later		132,813	167,404	143,590	195,024	186,681	140,748			
Three years later		148,276	156,978	129,581	197,644	169,758				
Four years later		143,885	153,904	123,927	190,314					
Five years later		140,410	153,205	118,250						
Six years later		139,739	151,381							
Seven years later		138,196								
Cumulative paid claims										
At end of underwriting year		(7,341)	(4,560)	(1,580)	7,252	(8,249)	(12,641)	(43,617)	(11,474)	
One year later		(34,088)	(30,710)	(28,110)	(22,173)	(44,349)	(25,773)	(163,837)		
Two years later		(57,549)	(65,265)	(51,542)	(67,529)	(90,491)	(62,108)			
Three years later		(81,113)	(87,650)	(67,999)	(94,518)	(111,911)				
Four years later		(7,180)	(114,105)	(75,559)	(110,035)					
Five years later		(103,201)	(125,658)	(78,054)						
Six years later		(108,485)	(134,101)							
Seven years later		(115,376)								
Total outstanding claims provision per the Statement of Financial Position	**86,233**	**22,820**	**17,280**	**40,196**	**80,279**	**57,847**	**78,640**	**249,113**	**157,319**	**789,727**

20 Provision for other risks and charges

	LUC Provision $'000
At beginning of year	150
Income Statement credit	(144)
Other recognised losses - foreign exchange	(6)
At end of year	**-**

Previously, guarantees had been given by the Company in favour of the Prudential Assurance Company Limited and the Royal Bank of Scotland (Industrial Leasing) Limited in respect of leases granted to Market Building Limited in connection with the development of the London Underwriting Centre ("LUC"). The fire that occurred in August 1991, during the course of fitting out the LUC, gave rise to the possibility of some shortfall of rental income in the future. During 2018 a full and final settlement has been made, so the provision has been released.

21 Creditors arising out of direct insurance operations and reinsurance operations

	Direct Insurance Operations		Reinsurance Operations	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Amounts owed to other subsidiaries	-	-	11,232	7,060
Amounts owed to intermediaries	55,773	21,087	78,183	29,771
Total	**55,773**	**21,087**	**89,415**	**36,831**

22 Other creditors, including taxation and social security

	2018 $'000	2017 $'000
Current taxation	196	-
Other creditors	11,570	12,974
Total	**11,766**	**12,974**

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

23 Discounted claims

The claims relating to PPOs have been discounted as follows:

	Discount rates		Mean term of liabilities	
Class of business	**2018**	**2017**	**2018**	**2017**
Motor	3.0%	3.0%	22.0 years	16.6 years

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

The claims provisions before discounting are as follows:

	2018 £'000	2017 £'000
Total claims provisions before discounting	17,164	28,458
Reinsurers' share of total claims provisions before discounting	-	-
Net claims provisions before discounting	**17,164**	**28,458**
Discount credit	(7,325)	(14,004)
Net claims provisions post discounting	**9,839**	**14,454**

24 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 using the attained age method.

The contribution to the Scheme for the period was £2.6m (2017, £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 2015, which showed that the market value of the Scheme's assets was £124.1m. This actuarial valuation determined that the assets of the scheme at the valuation date represented 91% of the accrued liabilities based on the projected final pensionable salaries. This was equivalent to a deficit of £11.7m.

Following discussions with the Company and the Trustees it was agreed that the Company would pay an additional five contributions of £2.6m per annum beginning on 30 September 2016, and on that date each year through to 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 current 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. As the Company does not consider it can recover any surplus based on its interpretation of the Trust Deed through either reduced contributions or a refund from the plans, the Company does not recognise any surplus on the Scheme. At 31 December 2018, there was a net surplus of $12.8m on the Scheme that has not been recognised in the accounts (2017, net surplus of $6.2m). Any deficit on the Scheme will be recognised in full.

An independent actuarial FRS 17 valuation of both the TN Fund and the LSF Fund was carried out as at 31 December 2018 using the projected unit method.

The principal assumptions used by the actuary were:

	2018	**2017**	**2016**
Discount rate	2.95%	2.55%	2.70%
Inflation assumption	3.20%	3.20%	3.25%
Deferred pension revaluation	2.25%	2.25%	2.25%
Salary increase assumption	2.95%	2.95%	3.00%
Pension increase assumption	3.15%	3.15%	3.20%

The assumed life expectancies on retirement at age 65 are:

	LSF Fund 2018	**TN Fund 2018**	**LSF Fund 2017**	**TN Fund 2017**
Current pensioners:				
Men	24.9	25.5	24.5	25.7
Women	26.9	27.4	26.8	27.3
Future pensioners:				
Men	27.1	27.7	26.9	27.5
Women	29.2	29.7	29.1	29.6

The assets in the Scheme and the expected rate of return were:

	LSF Fund 2018 £'000	TN Fund 2018 £'000	LSF Fund 2017 £'000	TN Fund 2017 £'000
Equities	8,914	45,882	9,314	50,067
Debt securities	6,968	45,145	7,492	46,918
Corporate bonds	9,696	17,915	9,840	18,537
Other	2,404	9,134	2,469	9,382
Cash	-	8	-	139
Total market value of assets	27,982	118,084	29,115	125,043
Actuarial value of liability	(25,941)	(108,041)	(28,400)	(120,196)
Surplus in the Scheme	2,041	10,043	715	4,847
Related deferred tax liability	(347)	(1,707)	(122)	(824)
Limit on pension asset recognition	(1,694)	(8,336)	(593)	(4,023)
Net Pension Liability	**-**	**-**	**-**	**-**

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 2018 £'000**	**LSF Fund 2018 £'000**	**TN Fund 2018 £'000**	**Total 2017 £'000**	**LSF Fund 2017 £'000**	**TN Fund 2017 £'000**
At beginning of year	**148,596**	28,400	120,196	**145,219**	27,156	118,063
Current service cost	**290**	54	236	**-**	-	-
Interest cost	**3,709**	715	2,994	**3,862**	728	3,134
Benefits paid	**(6,283)**	(739)	(5,544)	**(4,375)**	(402)	(3,973)
Actuarial (loss)/gain	**(12,329)**	(2,489)	(9,840)	**3,890**	918	2,972
At end of year	**133,983**	**25,941**	**108,042**	**148,596**	**28,400**	**120,196**

Reconciliation of fair value of Scheme assets	**Total 2018 £'000**	**LSF Fund 2018 £'000**	**TN Fund 2018 £'000**	**Total 2017 £'000**	**LSF Fund 2017 £'000**	**TN Fund 2017 £'000**
At beginning of year	**154,158**	29,115	125,043	**142,801**	26,836	115,965
Expected return on Scheme assets	**3,868**	736	3,132	**3,814**	722	3,092
Employer contributions	**2,630**	430	2,200	**2,630**	430	2,200
Benefits paid	**(6,283)**	(739)	(5,544)	**(4,375)**	(402)	(3,973)
Actuarial (loss)/gain	**(8,306)**	(1,560)	(6,746)	**9,288**	1,529	7,759
At end of year	**146,067**	**27,982**	**118,085**	**154,158**	**29,115**	**125,043**

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

The expected return on Scheme assets is determined by considering returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected returns 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 loss of £4.4m (2017, gain of £13.1m)

Movement in surplus/(deficit) during the year	Total 2018 £'000	LSF Fund 2018 £'000	TN Fund 2018 £'000	Total 2017 £'000	LSF Fund 2017 £'000	TN Fund 2017 £'000
Surplus/(deficit) in the Scheme at the beginning of the year	**5,562**	715	4,847	**(2,418)**	(320)	(2,098)
Movement in the year:						
Employer contributions	**2,630**	430	2,200	**2,630**	430	2,200
Current service costs	**(290)**	(54)	(236)	**-**	-	-
Net return on assets	**159**	21	138	**(48)**	(6)	(42)
Actuarial gain	**4,023**	929	3,094	**5,398**	611	4,787
Surplus in the Scheme at the end of year	**12,084**	**2,041**	**10,043**	**5,562**	**715**	**4,847**

Movement in surplus during the year	Total 2018 $'000	LSF Fund 2018 $'000	TN Fund 2018 $'000	Total 2017 $'000	LSF Fund 2017 $'000	TN Fund 2017 $'000
Surplus in the Scheme at the end of year	**15,467**	2,612	12,855	**7,453**	958	6,495
Related deferred tax liability	**(2,629)**	(444)	(2,185)	**(1,267)**	(163)	(1,104)
Limit on pension asset recognition	**(12,838)**	(2,168)	(10,670)	**(6,186)**	(795)	(5,391)
Pension Liability	**-**	**-**	**-**	**-**	**-**	**-**

The movement disclosed in the Statement of Comprehensive Income shows the limit on pension asset recognition is $12.8m (2017, $6.2m). The actuarial gain recognised on the pension scheme is £4.0m, or $5.1m (2017, gain of £5.4m or $7.2m). The movement on deferred tax relating to the actuarial loss is a debit of $1.4m (2017, debit of $1.8m).

Analysis of amount recognised in Statement of Comprehensive Income	Total 2018 £'000	LSF Fund 2018 £'000	TN Fund 2018 £'000	Total 2017 £'000	LSF Fund 2017 £'000	TN Fund 2017 £'000
Actual return less expected return on Scheme assets	**(8,306)**	(1,560)	(6,746)	**9,288**	1,529	7,759
Changes in assumptions underlying the Scheme liabilities	**12,198**	2,456	9,742	**(3,938)**	(924)	(3,014)
Movement in year on limit on pension asset recognition	**(5,197)**	(1,073)	(4,124)	**(4,616)**	(593)	(4,023)
(Loss)/gain recognised in Statement of Comprehensive Income	**(1,305)**	**(177)**	**(1,128)**	**734**	**12**	**722**

	Total 2018 $'000	LSF Fund 2018 $'000	TN Fund 2018 $'000	Total 2017 $'000	LSF Fund 2017 $'000	TN Fund 2017 $'000
(Loss)/gain recognised in Statement of Comprehensive Income	**(1,670)**	**(227)**	**(1,443)**	**984**	**16**	**968**

The cumulative amount of loss recognised in the Statement of Comprehensive Income is £21.7m (2017, £20.4m).

Analysis of net return on Pension Scheme	**2018 £'000**	**2017 £'000**
Expected return on Pension Scheme assets	3,868	3,814
Interest on pension liabilities	(3,709)	(3,862)
Net return	**159**	**(48)**

History of defined benefit assets and obligations and experience gains and losses	**2018 £'000**	**2017 £'000**	**2016 £'000**	**2015 £'000**	**2014 £'000**
Difference between expected and actual return on schemes:					
Amount	**(8,306)**	**9,288**	**11,484**	**(3,257)**	**8,092**
Percentage of scheme assets	(6)%	6%	8%	(3)%	6%
Experience losses/(gains) on scheme liabilities:					
Amount	**-**	**-**	**(2,961)**	**34**	**20**
Percentage of scheme liabilities	0%	0%	2%	0%	0%
History of defined benefit assets and obligations					
Defined benefit obligations	133,983	148,596	145,219	114,869	118,947
Fair value of scheme assets	146,067	154,158	142,801	126,168	129,103
(Surplus)/deficit	**(12,084)**	**(5,562)**	**2,418**	**(11,299)**	**(10,156)**

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

	2018 $'000	**2017 $'000**
At beginning of year	**(1,267)**	**535**
Tax credit taken to Statement of Comprehensive Income	(1,363)	(1,802)
At end of year	**(2,630)**	**(1,267)**

25 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:

	2018 $'000	**2017 $'000**
Expiring within one year	1,352	1,579
Expiring between one and five years	5,409	5,205
Expiring after more than five years	2,947	3,877
	9,708	**10,661**

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 $9.9m (2017, $14.0m).

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-.

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.

There were no transactions with related third parties during the year.

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.

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