Markel International Insurance Company Limited.

Annual Report and Financial Statements for the year ended 31 December 2020

Registered Number 966670

MARKEL®

Markel International Insurance Company Limited
Annual Report and Financial Statements
for the year ended 31 December 2020

Contents

Directors and Administration

Board of Directors

John W J Spencer (Chair)
Wai-Fong Au
Andrew J Davies
James Hastings
Nicholas J S Line
Kalpana Shah
William D Stovin
Anne Whitaker
Simon Wilson

Company Secretary

Lara S Teesdale

Registered office

20 Fenchurch Street
London
EC3M 3AZ

Investment manager

Markel Gayner Asset Management Corporation

Bankers

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

Registered number

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

Registered Auditor

KPMG LLP, London

Lawyers

Norton Rose Fulbright LLP, London

Strategic Report

The Directors submit their Strategic Report for Markel International Insurance Company Limited ("the Company") for the year ended 31 December 2020.

Review of the business

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

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

From 28 November 2017, the Company has fully reinsured all business written by EC Insurance Company Limited ("ECIC"), a fellow subsidiary of MCH. On 5 March 2020 and 6 March 2020 the High Courts of the UK and Jersey respectively granted approval for a part VII transfer whereby the Company assumed all insurance obligations of ECIC effective 20 March 2020. The Company is now writing new business previously written by ECIC.

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 nine underwriting units, namely Marine; Energy; Professional and Financial Risks; Equine and Livestock; Cyber; Trade Credit, Political Risk and Surety; Reinsurance; Markel Specialty; and National Markets. The Company exited Personal Accident, Contigency and Entertainment ("PACE") and Latin America during 2020.

Marine

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

The liability account offers a range of traditional marine liability cover as well as ports and terminals, marine trades, and energy onshore and offshore coverage. The hull account covers physical damage to ocean-going tonnage, yachts, building risks and mortgagee's interest. The war account offers coverage for marine and aviation war across all vessel types and tonnages. The terrorism account covers physical damage resulting from terrorism, war and political violence. The specie account includes a range of coverage for fine art, specie, jewellers' block, and cash in transit, on a worldwide basis. The cargo account comprises a broad portfolio of transit and storage risk covering most industries on a global basis.

Energy

The Energy team offers coverage on a worldwide basis for all aspects of upstream, downstream 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. The team also offers coverage for renewable energy sources including coverage for the full life-cycle of onshore and offshore wind farms and solar photo voltaic installations, from procurement to construction to the completed operations.

Professional and Financial Risks

The Professional and Financial Risks team provides cover on a worldwide basis. The team underwrites professional indemnity, entertainment, financial institutions insurance, commercial directors' and officers' liability ("D&O"), financial technology cover, and technology and media cover.

The professional indemnity account services most core, regulated and miscellaneous professions which include architects and engineers, insurance brokers, recruitment agents, and educational establishments. The entertainment team writes a broad book of film and media insurance, including commercial producers indemnity, film insurance, production package and more. Financial institutions insurance can provide cover on a stand-alone basis or as a blended package to include bankers blanket bond, professional indemnity and D&O, depending on the client's requirements. Commercial D&O offer market leading products which provide a wide range of coverage to ensure protection for directors and officers of companies of all types and sizes. Financial technology provides cover for a range of fintech companies, including professional liability, directors' and officers' liability, theft and cyber liability, and loss. Technology and media provides modular cover for clients in the technology and telecommunications field, specialising in media, film, television, information technology and more.

Equine and Livestock

This team underwrites equine and livestock insurance, offering a wide portfolio of products to suit a broad range of risks, from large stud farms to individual horses and covering all uses across farm, zoo and other animal interests.

The equine account offers a wide portfolio of products including bloodstock and equine liability to suit a broad range of risks, from large stud farms to individual horses. 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.

Cyber

The cyber account targets a wide spectrum of industries from professional services to healthcare, offering specialist cover for both first and third party losses on a modular basis. The cyber account covers a variety of exposures including cyber and privacy liability, extortion costs cover, and system and data rectification and mitigation costs.

Trade Credit, Political Risk and Surety

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

The trade credit account coverage includes prepayment cover, insolvency and default, captive reinsurance, syndicated co-insurance solutions and financial institutions. Policies are designed to provide clients with certainty of cover and are underwritten with the aim of establishing a long-term partnership with the insured. The political risk and contract frustration account has a broad range of coverage including insolvency or default by either a public or privately owned entity, licence cancellation, aircraft and vessel repossession, mortgage rights insurance and currency inconvertibility and exchange transfer. The surety account coverage includes both contract bonds and commercial bonds.

Reinsurance

This unit includes international casualty treaty and property treaty business. During 2020 the Company ceased underwriting property treaty business.

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 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 internationally and can tailor this to meet the specific needs of cedants.

Markel Specialty

Markel Specialty 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. It also 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, and 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 scaled back its operations in Latin America and was only writing surety business during 2020, and subsequently exited this market.

Results and performance

The results of the Company for the year, as set out on pages 19 to 21 show a loss on ordinary activities before taxation of $22.7m (2019, profit of $112.2m). Shareholder's funds as at 31 December 2020 were $536.1m (2019, $561.9m).

The Company reported an underlying underwriting loss of $72.8m for the year (2019, loss of $0.7m). This represents a combined ratio of 114.3% (2019, 100.2%). The underwriting result has been adversely impacted by $108.0m of losses in relation to the COVID-19 global pandemic, and $9.0m of losses in relation to natural catastrophes in 2020 (hurricane Laura, hurricane Zeta and Derecho storms). Partially offsetting this was a $5.4m improvement in relation to 2019 and prior natural catastrophes. While none of these catastrophe losses individually or in total exceeded the Company's risk appetite for market events of this size, they contributed 21.8% to the combined ratio.

These losses were offset by a release from prior year reserves of $48.4m (2019, $65.8m). This release is a result of more favourable claims development than originally anticipated and the work of our claims department in dealing with claims in an expeditious manner.

Gross written premiums of $707.9m for the year represent an increase on prior year of 29.0%.

The investment return of $47.5m comprises income of $15.8m, net realised gains of $60.9m and unrealised losses on the equity portfolio of $29.1m.

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	**2016 $m**	**2017 $m**	**2018 $m**	**2019 $m**	**2020 $m**
Gross written premiums	451.4	570.3	688.4	548.9	707.9
Net written premiums	363.0	464.8	524.2	439.4	578.6
Retention rate	80.4%	81.5%	76.1%	80.1%	81.7%
Net earned premiums	**372.1**	**422.9**	**492.6**	**424.8**	**511.0**
Underlying underwriting result	**34.6**	**(115.1)**	**22.0**	**(0.7)**	**(72.8)**
Net loss and LAE ratio	42.3%	84.5%	50.1%	57.4%	76.7%
Net expense ratio	48.4%	42.7%	45.5%	42.8%	37.6%
Combined ratio	**90.7%**	**127.2%**	**95.6%**	**100.2%**	**114.3%**
Investment return	51.2	82.6	23.0	109.0	47.5
Investment yield	3.9%	6.3%	1.8%	8.9%	3.7%
Profit/(loss) on ordinary activities (1)	**99.8**	**(30.2)**	**51.4**	**112.2**	**(22.7)**

Statement of Financial Position	**2016 $m**	**2017 $m**	**2018 $m**	**2019 $m**	**2020 $m**
Financial investments (2)	1,245.0	1,350.9	1,267.2	1,196.1	1,406.2
Reinsurers' share of claims outstanding	557.2	500.8	550.0	492.0	523.1
Gross claims outstanding	1,192.5	1,332.2	1,339.8	1,157.8	1,355.3
Net claims outstanding	635.3	831.4	789.8	665.8	832.2
Shareholder's Equity	**618.7**	**542.9**	**508.1**	**561.9**	**536.1**
Required Capital (3)	**323.0**	**368.0**	**331.5**	**239.0**	**265.0**

(1) profit/(loss) on ordinary activities is equal to profit before taxation for all years.
(2) excluding investments in subsidiaries
(3) 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 result and combined ratio, whilst investment performance is measured by total investment return.

Business environment and future developments

The COVID-19 pandemic has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world. The Company continues to monitor and respond to the global COVID-19 outbreak, in particular the impact on claims that are expected to arise on business previously written. COVID-19 impacted the result of the Company with additional gross losses of $130.8m and net of reinsurance $108.0m, adding 21.1% to the combined ratio. The losses were primarily a result of business interruption in our Social Welfare book, from the enforced lockdown, and include the estimated impact of the UK Supreme Court Judgement relating to the FCA's business interruption court proceedings, handed down on 15 January 2021. Additionally, cancelled events impacted our Contingency book and as part of the continued review of our underwriting appetite, the decision was taken during the year to exit the Contingency class of business.

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 invests in high-quality corporate, government and municipal bonds, as well as a diverse equity portfolio and plans to continue this investment strategy in 2021.

Going concern

The Directors have continued to review the capital position, business plans, liquidity and operational resilience of the Company in light of the risks associated with COVID-19. The capital position is subject to internal stress testing and the Company has also taken a number of underwriting actions on its future business, to limit the impact of the pandemic over the next few years.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors have identified no material uncertainties that cast doubt about the ability of the Company to continue as a going concern for at least a year from the date of approval of the Financial Statements (“the going concern period”).

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 3 of these Financial Statements) provides a detailed explanation of the above risk categories.

There are currently 26 risks in the risk register. A formal review by the Risk and Capital Committee and the Company Board of Directors ("the Board") occurs at least annually to ensure that the risk register identifies all the risks to which the Company is exposed. Key controls are identified to mitigate each risk and quarterly confirmation is sought from the owners of these controls that they are in place and are operating effectively.

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

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

The Directors have considered the ongoing impacts of COVID-19 which impacts a number of the above risk categories. In respect of Underwriting Risk, we have assessed the cover on the products we provide in the context of the potential outcomes and exposures. Market Risk has been assessed in the context of our investment portfolio and the impact a fall in value would have on our solvency position and liquidity. Operationally we have considered the impact of restricted travel and office closures for us and our service providers on our ability to continue writing new business and serving our clients. We continued to operate through the current financial year and have assessed that we can continue to maintain our operations.

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

Section 172(1) statement

The Directors of the Company have a duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard (amongst other matters) to:
- the likely consequences of any decisions in the long term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Company has identified the key following stakeholder groups which are important to the ongoing success of the Company. The Company has regard to each of these stakeholders when making decisions, as described below.

Our Investor
Markel Capital Holdings Limited ("MCH") provides the capital that allows the Company to grow and invest for future success. MCH is concerned with a broad range of issues including, but not limited to, the financial and operating performance of the Company, strategic execution and capital allocation. The opinions of the MCH board are taken into account when shaping the Company strategy, operational performance and capital structure.

Our Colleagues
Our colleagues are critical to the Company's success. They are concerned with opportunities for personal development and career progression, a culture of inclusion and diversity, and compensation and benefits.

As a result of the COVID-19 pandemic, the Company shifted from an office-based working environment to a remote working environment during 2020. This led to increased communication with all colleagues through the implementation of:
- Weekly wellbeing surveys, during which colleagues are encouraged to provide feedback on initiatives to improve wellbeing;
- Monthly email newsletters covering matters including strategy, business performance, divisional performance, culture and key changes and events in the business;
- Monthly leadership communications meetings during which the Executive Leadership team communicate matters relating to business performance, business change and business strategy to the Senior

Leadership team. The information is then cascaded by Senior Leaders through the business;
- Other ad hoc newsletters and business updates communicating, among other things, culture initiatives, wellbeing initiatives, and "return to office" initiatives; and
- Increased virtual training opportunities.

The above initiatives are in addition to engagement with colleagues through quarterly results presentations and a biennial employment engagement survey.

The Company encourages managers to search internally to fill vacancies, and proactively manage career development to enable our colleagues to drive their own career paths.

The Company encourages and fosters a diverse and inclusive environment, enshrined within the 'Markel Style' which is a statement of Markel's core values which underpin how we do business, influence our behaviour, and govern our actions. During 2020, the Company launched 'Style in Action', a programme of five networks which focus on Diversity and Inclusion, Community, Wellbeing, Recognition and Innovation. These networks are employee led and aim to bring the Markel Style to life by encouraging employee engagement and input into key activities and initiatives relevant to each of the five networks.

Our colleagues had critical input into decisions made during 2020, including in respect of 'return to office' and 'future ways of working' initiatives, as well as various initiatives implemented in respect to employee health and wellbeing.

Our Customers
Our customers are concerned with receiving quality products and services, and for the Company to deal diligently and effectively with claims. The Company seeks to be a market leader in each of these pursuits and to understand our customers' needs.

The Directors are focussed on targeting growth opportunities where we can best add value to our customers, and on maintaining adequate solvency to ensure policyholder protection.

The Company has a highly trained and qualified team of claims specialists with in-depth experience across all lines of business, and draws on the expertise of external lawyers, loss adjusters and other professionals where necessary, to ensure we deal diligently and effectively with claims.

During 2020, the Company received a number of COVID-19 related claims, largely in respect of Business Interruption policies. The Company undertook comprehensive reviews of all claims received and adopted its core philosophy of identifying and paying all valid claims. On 15 January 2021, the Supreme Court delivered its judgment in the FCA test case on business interruption insurance relating to the COVID-19 pandemic. The Company communicated with Policyholders throughout the FCA test case process, and has complied with actions arising out of the judgment.

Our Regulators
The Company has a responsibility to engage with regulators in all jurisdictions where we operate. The Company is regulated in the UK and has a regulated branch in Europe.

The Company's Risk Management and Compliance teams lead our relationships with regulators and maintain regular dialogue with them through both formal and informal meetings.

During 2020, the teams engaged with regulators as follows:
- Regular formal and ad hoc discussions between the Risk Management, Compliance and Legal teams, and the PRA and FCA. Discussions covered various matters including (but not limited to) the impact of the COVID-19 pandemic on the company, matters relating to Capital, and changes to the composition of the Company's Board, including the recruitment and onboarding of new Independent Non-Executive Directors;
- Annual meetings between PRA and key Company individuals, for example, Board Chair, President;

- Annual Periodic Summary Meeting with PRA;
- Applications to PRA and FCA for various regulatory approvals (for example changes to Senior Manager positions); and Type text here
- Submission of the Company's quarterly Board packs to the PRA.

The Company has regard to regulatory guidance when making decisions that impact the Company. The Company's Compliance team monitors compliance with regulatory requirements.

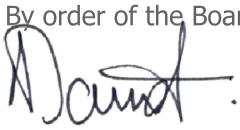
The Company and its branches have met all of their material regulatory reporting obligations during the course of 2020.

Our Communities
The Company has a strong commitment to charities, the local community and the environment.

Colleagues are encouraged to be directly involved in supporting local community projects and charitable causes, and the Company assists with fund-raising and arranges for matching of donations or sponsorship via the Markel Match Programme. During 2020, the Style in Action Community Network was launched, with a focus on reviewing existing charity, sustainability and social initiatives and identifying future priorities.

The Company aims to minimise our environmental impact by only using necessary consumables, and recycling wherever possible. Environmental performance is reviewed periodically. More information is provided in the 'Carbon Policy' statement set out in this report.

By order of the Board,



Andrew J Davies
Director
London
8 April 2021
Registered number 0966670

Directors' Report

The Directors submit the Annual Report and Financial Statements of the Company for the year ended 31 December 2020.

Future developments

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

Dividends

No dividends were paid during the year (2019, $55.0m).

Directors

The Directors of the Company who served during 2020 and up to the date of this report were as follows:

John W J Spencer	(Chair)
Ralph C Snedden	(Resigned 31st December 2020)
Wai-Fong Au	(Appointed 7th October 2020)
Simon C Barrett	(Resigned 31st July 2020)
Andrew J Davies	
James Hastings	
Paul H Jenks	(Resigned 31st December 2020)
Nicholas J S Line	
Ian Marshall	(Resigned 31st July 2020)
Kalpana Shah	(Appointed 7th September 2020)
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 3 to these Financial Statements. In particular the Company's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The Company's exposure to cash flow risk is addressed under the headings of 'Market risk', 'Credit risk' and 'Liquidity risk'.

Political donations

No political donations were made in the year (2019, 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

8 April 2021
Registered number 0966670

Statement of Directors' Responsibilities

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

The Directors are responsible for preparing the Strategic Report, the Directors’ Report and the Financial Statements in accordance with applicable law and regulations.

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

Under Company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

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

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

By order of the Board,

Andrew J Davies
Director
London
8 April 2021
Registered number 0966670

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 2020 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 2.

In our opinion the financial statements:

— give a true and fair view of the state of Company's affairs as at 31 December 2020 and of its loss for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the directors on 27 July 2000. The period of total uninterrupted engagement is for the 21 financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: financial statements as a whole	$4.64m (2019: $3.75m) 0.87% of Net assets (2019: 0.68% of Gross Written Premium)
Key audit matters	**vs 2019**
Recurring risks	Valuation of Claims Outstanding (IBNR) ◄►

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2019), in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
Valuation of claims outstanding – Incurred but not reported ('IBNR') (Gross and net claims outstanding: Gross claims outstanding \$1,355.3m, 2019: \$1,157.8m; Net claims outstanding: \$832.2m, 2019: \$665.8m) *Refer to page 26 (accounting policy) and page 46 (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 (gross and net) 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 assumptions 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 — there is evidence of significant or unexpected developments; or — there are classes with a long tail; or — there are classes directly and indirectly impacted by COVID-19. This higher risk will also include focus on catastrophe reserves, which by their nature have both positive and negative uncertainty, on a gross basis, as the claims develop.	Our procedures included: — **Control design and operation:** We tested the design, implementation and operating effectiveness of key controls over the reserving process. These controls included: – data reconciliations to ensure the completeness and accuracy of data extracted from the relevant systems used by the actuaries to set reserves; and – management comparison of quarterly reserves, by class of business in gross and net ultimates. For those movements which were above pre-defined thresholds, management investigated and challenged the movements; — **Assessing actuary's credentials:** We assessed the competence, capability and objectivity of the Company's actuarial lead; We involved our actuarial specialists to assist in: — **Independent re-performance:** For a selection of classes of business which we consider to be higher risk, we performed independent re-projections to the actuarial best estimate using our own gross loss ratios and compared these to the Company's results. Where there were material differences in results, we challenged the Company's assumptions using our own expectations based on our knowledge of the Company and the experience of the industry it operates in, to assess whether the Company's estimate fell within a reasonable range. The classes selected were concentrated on those which we considered to be high risk and/or material. — For classes not re- projected we performed other procedures to assess the methods and assumptions used for reasonableness and investigated any material deviations;

KPMG

	The risk	Our response
Valuation of claims outstanding – Incurred but not reported ('IBNR') (continued)	A margin is added to the actuarial best estimate of claims reserves to make allowance for 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 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 whole, and possibly many times that amount.	— **Historical experience:** We assessed and challenged the claims reserves methodologies and assumptions by reference to the Company's prior experience and industry practice; — **Market experience:** For the Motor and Asbestos books, we assessed and challenged the claims reserves methodology and assumptions by reference to industry practice and our expectation derived from market experience. This included investigating any significant deviations from expectation. — We specifically considered management's approach to assessing the impact of COVID-19 on identified classes. We also assessed the outcome of the Supreme Court Ruling on business interruption claims; — **Benchmarking assumptions:** We evaluated the appropriateness of reserving methodologies and estimates of losses including those of total losses on natural catastrophes by comparing to expectations derived from industry benchmarking in order to identify specific trends and outliers; In addition we performed the following: — **Margin evaluation**: We evaluated the consistency and appropriateness of the margin in line with accounting standards, paying particular attention to the grandfathering rules on transition to FRS103, and the ability to maintain or decrease the level of reserving prudence. We evaluated management's assessment of uncertainty and the Company's reserving philosophy; — **Assessing transparency:** We evaluated the adequacy of the Company's disclosures in respect of the degree of sensitivity of key assumptions, particularly in the light of increased uncertainty from COVID-19. **Our results** — We found the valuation of claims outstanding (IBNR) to be acceptable (2019: acceptable).

KPMG

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 $4.64m (2019: $3.75m), determined with reference to a benchmark of Net Assets, of which it represents 0.87% (2019: 0.68% based on Gross Written Premium).

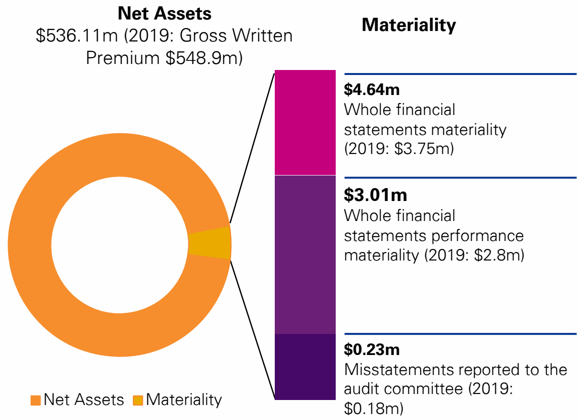
We have reassessed the benchmark to Net Assets as we consider it to be the most critical key performance indicator for the Company's stakeholders due to their focus being on growth in shareholder wealth and capital strength.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 65% (2019: 75%) of materiality for the financial statements as a whole, which equates to $3.01m (2019: $2.8m). We applied this reduced percentage in our determination of performance materiality in response to control deficiencies and misstatements identified in the prior year, thus indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.23m (2019: $0.18m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality and performance materiality levels specified above and was performed by KPMG UK and KPMG USA.

KPMG USA was engaged to assist with areas of the audit that are centralised or based at Markel Corporation (the Company's parent). We instructed KPMG USA on the procedures to be performed, and reviewed the work performed to ensure it addressed the identified risks. We held regular discussions with KPMG USA throughout the audit.



4.Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease 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").

We used our knowledge of the Company, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that was considered most likely to adversely affect the company's available financial resources over this period was adverse insurance reserves development, potentially caused by the impacts of the COVID-19 pandemic.

We considered whether these risks could plausibly affect the liquidity or solvency position in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity or capital issue, taking into account the Company's current and projected cash, facilities and capital position.

Our procedures also included:

- Assessing assumptions in the downside scenarios relevant to the liquidity and solvency position (particularly the impact of COVID-19 on reinsurance recoveries and claims paid), and the capital position (as referred to in the Company's Own Risk and Solvency Assessment "ORSA");
- Evaluating the achievability of the actions the Directors consider they would take to improve the position should the downside risks materialise, which included access to additional group funding;
- Considering whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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

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

Identifying and responding to risks of material misstatement due to fraud

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

— Enquiring of directors, internal audit, audit committee and the legal, risk and compliance functions, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

— Considering remuneration incentive schemes.

— Reading board, audit committee, and other relevant committee meeting minutes.

— Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet performance targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls and in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as IBNR reserves and accrued premium income (API). On this audit we did not consider there to be a fraud risk related to revenue recognition, except in relation to the API element, because of the industry standard methods for recording revenue.

We did not identify any additional fraud risks to those related to management override of controls and the accounting estimates of IBNR and API.

We performed the following procedures including:

— Identifying journal entries to test based on risk criteria and comparing these entries to supporting documentation. These included those posted to cash accounts with unusual debits and credits, journals posted by specific individuals and post closing journals.

— Vouching specific accrued premium balances in the year to supporting underwriting documentation, such as broker slips, and assessing unusual movements.

— Using our actuarial specialists to assess the appropriateness and consistency of the methods and assumptions used to estimate the IBNR for all reserving classes and assessing the results for evidence of bias as noted in the key audit matter 'Valuation of claims outstanding (IBNR)' in Section 2 of this report.

— Evaluating the consistency and appropriateness of the management margin in line with accounting standards, management's assessment of uncertainty and the Company's reserving philosophy, assessing the results for management bias.

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

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

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. This was achieved through the procedures noted above.

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 Company's financial statements varies considerably.

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

Secondly, the Company is subject to many other laws and regulations, where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's licence to operate. We identified the following areas as those most likely to have such an effect: anti-bribery and corruption, money laundering, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

KPMG

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

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

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

6. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

— we have not identified material misstatements in those reports;

— in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Karen Orr (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

8th April 2021

Income Statement: Technical Account

for the year ended 31 December 2020

		2020		2019	
	Notes	$'000	$'000	$'000	$'000
Earned premiums, net of reinsurance					
Gross written premiums	4	707,886		548,897	
Outward reinsurance premiums		(129,257)		(109,487)	
Net written premiums			578,629		439,410
Change in the gross provision for unearned premiums		(73,083)		1,991	
Change in the provision for unearned premiums reinsurers' share		5,443		(16,602)	
			(67,640)		(14,611)
Net Earned Premiums			**510,989**		**424,799**
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(368,964)		(328,559)	
Reinsurers' share		117,687		112,775	
Net paid claims		(251,277)		(215,784)	
Change in the provision for claims					
Gross amount	20	(121,682)		(25,668)	
Reinsurers' share	20	(18,835)		(2,185)	
Net change in provision		(140,517)		(27,853)	
Net claims incurred			**(391,794)**		**(243,637)**
Net operating expenses	6		**(192,044)**		**(181,818)**
Balance on the technical account			**(72,849)**		**(656)**

The notes on pages 25 to 57 form part of these Financial Statements.

Income Statement: Non-Technical Account

for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Balance on the technical account		(72,849)	(656)
Investment income	7	85,302	66,059
Investment expenses and charges	8	(8,670)	(8,003)
Unrealised (losses)/gains on investments	9	(29,125)	50,916
Net foreign exchange gains		2,621	3,898
(Loss)/profit on ordinary activities before taxation	10	**(22,721)**	**112,214**
Taxation on (loss)/profit on ordinary activities	11	3,993	(21,310)
(Loss)/profit for the year		**(18,728)**	**90,904**

The notes on pages 25 to 57 form part of these Financial Statements.

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
(Loss)/profit for the year		(18,728)	90,904
(Loss)/profit recognised in pension schemes	24	(8,072)	6,060
Movement on current tax relating to pension scheme		679	660
Movement on deferred tax relating to pension scheme	24	345	(1,703)
Movement on pension asset recognition	24	-	12,838
Total Comprehensive (Loss)/Income for the year		**(25,776)**	**108,759**

The notes on pages 25 to 57 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2020

2020	**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)	132,486	**561,888**
Total comprehensive loss for the year	-	-	-	(25,776)	**(25,776)**
Dividends paid	-	-	-	-	**-**
At end of year	**267,202**	**199,765**	**(37,565)**	**106,710**	**536,112**

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

The notes on pages 25 to 57 form part of these Financial Statements

Statement of Financial Position: Assets

as at 31 December 2020

	Notes	2020 $'000	2019 $'000
Investments			
Investments in group undertakings and participating interests	14	4,790	4,790
Other financial investments	14	1,406,165	1,196,076
Deposits with ceding undertakings		-	3,094
		1,410,955	**1,203,960**
Reinsurers' share of technical provisions			
Provisions for unearned premiums	20	42,548	36,337
Claims outstanding	20	523,058	491,984
		565,606	**528,321**
Pension asset	24	21,759	25,485
Debtors			
Debtors arising out of direct insurance operations	15	216,494	135,878
Debtors arising out of reinsurance operations	15	80,202	110,364
Other debtors including taxation	17	5,525	27,127
		302,221	**273,369**
Tangible Assets			
Tangible assets	18	37	61
		37	**61**
Prepayments and accrued income			
Accrued interest		5,060	5,831
Deferred acquisition costs	20	55,132	42,618
		60,192	**48,449**
Total Assets		**2,360,770**	**2,079,645**

The notes on pages 25 to 57 form part of these Financial Statements.

Statement of Financial Position: Liabilities

as at 31 December 2020

	Notes	2020 $'000	2019 $'000
Capital and reserves			
Called up share capital	19	267,202	267,202
Share premium account		199,765	199,765
Other reserve		(37,565)	(37,565)
Comprehensive Income		106,710	132,486
Shareholder's funds attributable to equity interests		**536,112**	**561,888**
Technical provisions			
Provisions for unearned premiums	20	302,540	225,251
Claims outstanding	20	1,355,290	1,157,801
		1,657,830	**1,383,052**
Creditors			
Creditors arising out of direct insurance operations	21	96,852	42,354
Creditors arising out of reinsurance operations	21	62,305	72,572
Deferred taxation liability	16	4,423	4,881
Other creditors including taxation and social security	22	3,248	14,898
		166,828	**134,705**
Total Liabilities and Shareholder's Funds		**2,360,770**	**2,079,645**

The notes on pages 25 to 57 form part of these Financial Statements.

Approved by the Board of Directors on 8 April 2021 and signed on behalf of the Company by Andrew Davies, Company Director.

Andrew J Davies
Director
London

8 April 2021

Notes to the Financial Statements

1 Basis of Preparation

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, and FRS 103 Insurance Contracts.

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

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

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

These Financial Statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

Going Concern

The COVID-19 pandemic has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world. The Company continues to monitor and respond to the global COVID-19 outbreak, in particular the impact on claims that are expected to arise on business previously written. COVID-19 impacted the result of the Company with additional gross losses of $130.8m and net of reinsurance $108.0m, adding 21.1% to the combined ratio. The losses were primarily a result of business interruption from the enforced lockdown, impacting our Social Welfare book, as well as cancelled events impacting our Contingency book.

The Directors have continued to review the capital position, business plans, liquidity and operational resilience of the Company in light of the risks associated with COVID-19. The capital position is subject to internal stress testing and the Company has also taken a number of underwriting actions on its future business, to limit the impact of the pandemic over the next few years. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors have identified no material uncertainties that cast doubt about the ability of the Company to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

2 Accounting policies

A summary of the more material 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. Estimates which are based on future economic conditions, and sensitive to changes in those conditions, have been impacted by COVID-19.

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. COVID-19 has provided additional challenges given the impact on claims in the year and unprecedented nature of the pandemic. The estimation process has required reviewing risks and events which are expected to trigger future reported claims, assumptions on when government restrictions will end, assessing the potential financial loss of insureds, and assessing the impact of the UK Supreme Court Judgement relating to the FCA's business interruption court proceedings, handed down on 15th January 2021. This has required underwriter, claims and actuarial experience in conjunction with external legal opinion and management's professional judgement. Management currently believes the Company's gross and net reserves 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.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amount that the Company will receive from the reinsurer. Impairment losses are recognised in the Income Statement: Technical Account in the period in which the impairment loss is recognised.

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

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/asset arising from employee service rendered during the period, net interest on net defined benefit liability/asset, 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	3-5 years
- IT equipment, Colombian office	3 years

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

3 Risk and capital management

Financial and insurance risk management objectives

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

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

a) Underwriting Risk

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

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

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

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

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

There are independent reviews of underwriting.

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

b) Reserving Risk

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

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

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

A full Actuarial reserving exercise occurs quarterly. This involves internal review within the Actuarial department and discussions with relevant underwriters and claims staff. Combined Ratio packs are produced which contain gross and net projections for all classes of business written at MINT. The packs are discussed in detail at quarterly "Combined Ratio Meetings", which are attended by members of the Board and the relevant Actuaries.

c) Market Risk

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

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

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

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

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

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

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

Price risk	**2020 $'000**	**2019 $'000**
Impact on result of 5% increase in stock market prices	14,609	17,186
Impact on result of 5% decrease in stock market prices	(14,609)	(17,186)
Impact on net assets of 5% increase in stock market prices	11,833	14,264
Impact on net assets of 5% decrease in stock market prices	(11,833)	(14,264)

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.

2020 Currency Code	**GBP'000**	**USD'000**	**EUR'000**	**CAD'000**	**AUD'000**	**JPY'000**	**Other'000**	**Total'000**
Investments	425,991	890,305	30,375	2,109	18,121	9,198	34,856	1,410,955
Reinsurers' share of technical provisions	125,193	391,609	13,534	90	15,168	254	19,758	565,606
Insurance and reinsurance receivables	108,816	170,422	(1,060)	622	4,535	4,341	9,020	296,696
Other assets	81,425	(10,425)	7,973	(318)	(62)	1,385	7,535	87,513
Total assets	**741,425**	**1,441,911**	**50,822**	**2,503**	**37,762**	**15,178**	**71,169**	**2,360,770**
Technical provisions	717,437	805,142	37,863	(5,196)	20,926	14,438	67,220	1,657,830
Insurance and reinsurance payables	30,930	124,908	778	51	2,240	-	250	159,157
Other creditors	4,080	6,887	(2,595)	2	52	-	(755)	7,671
Total liabilities	**752,447**	**936,937**	**36,046**	**(5,143)**	**23,218**	**14,438**	**66,715**	**1,824,658**

2019 Currency Code	GBP'000	USD'000	EUR'000	CAD'000	AUD'000	JPY'000	Other'000	Total'000
Investments	311,025	771,435	53,635	1,075	9,905	20,336	36,549	1,203,960
Reinsurers' share of technical provisions	84,773	378,905	23,252	1,552	9,375	109	30,355	528,321
Insurance and reinsurance receivables	133,723	118,611	(18,160)	7	2,568	1,876	7,617	246,242
Other assets	116,022	(40,757)	24,495	(15)	(5)	1,306	7,113	108,159
Total assets	**645,543**	**1,228,194**	**83,222**	**2,619**	**21,843**	**23,627**	**81,634**	**2,086,682**
Technical provisions	531,545	685,738	49,360	(6,139)	11,533	29,152	81,863	1,383,052
Insurance and reinsurance payables	27,184	86,658	113	179	212	-	580	114,926
Other creditors	(13,014)	35,209	(1,181)	2	33	(37)	(1,231)	19,781
Total liabilities	**545,715**	**807,605**	**48,292**	**(5,958)**	**11,778**	**29,115**	**81,212**	**1,517,759**

d) Credit Risk

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

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

The Company’s fixed income securities portfolio is monitored to ensure credit risk does not exceed the Company’s risk appetite. In addition, the Company places limits on exposures to a single counterparty or concentrations of exposures to a specific counterparty. The Company does not hold any financial investments that are past due or impaired as at 31 December 2020.

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

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

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

2020	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	-	-	-	-	-	292,613	292,613
Debt securities	382,842	118,740	9,548	-	-	-	511,130
Short term investments	99,999	-	-	-	-	-	99,999
Money market funds	162,897	-	41,313	-	-	-	204,210
Deposits with credit institutions	-	-	154,883	12,141	131,189	-	298,213
Reinsurers' share of claims outstanding	19,262	145,183	347,511	-	-	11,102	523,058
Reinsurance debtors	2,953	22,261	53,286	-	-	1,702	80,202
Total credit risk	**667,953**	**286,184**	**606,541**	**12,141**	**131,189**	**305,417**	**2,009,425**

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

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

e) Liquidity Risk

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

The average duration of liabilities is 4.2 years (2019, 4.7 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.

The table below provides details of debt securities by effective maturity date.

	1 year or less $'000	1-5 years $'000	5-10 years $'000	10-20 years $'000	20+ years $'000	Total $'000
2020	26,992	218,416	200,368	39,318	26,036	511,130
2019	52,177	137,065	270,636	61,294	34,982	556,154

f) Group Risk

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

It is considered that being part of a larger, experienced insurance group, with considerable financial resources and sound reputation is a strength. The Company has a number of controls, such as the internal committees that consider the interests of MINT’s legal entities and endeavour to communicate the MINT perspective to Markel, with whom the Company enjoy an excellent relationship.

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

g) Operational Risk

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

COVID-19 has caused a temporary shift in the operational strategy of the Company from an office based environment to a completely remote working environment. This has meant that internal processes and systems have been put to the test. The Company has adapted to the changes in the operational environment and business processes have continued to be carried out. The Company continues to actively manage operational risks caused by COVID-19, while engaging in open communication with staff.

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

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

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

h) Capital management

The Company is a regulated undertaking and subject to supervision by the PRA under the Financial Services and Markets Act 2000 and in accourdance with the Solvency II regualtions. The Company actively manages capital to ensure that it can continually meet its regulatory capital requirements while also maintaining sufficient capital to retain financial strength. Management monitor the performance of all aspects of the business to ensure profitability is managed against risks and that the financial and capital position of the Company is not compromised.

4 Analysis of underwriting result

a) Analysis of business by class

2020	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	207,317	176,632	(109,051)	(55,007)	(15,999)	(3,425)
Fire and other damage to property	18,985	18,929	(106,863)	(5,895)	22,135	(71,694)
Third party liability	224,649	203,902	(79,139)	(63,499)	(40,278)	20,986
Miscellaneous	106,958	106,936	(94,242)	(33,302)	6,671	(13,937)
Total Direct	**557,909**	**506,399**	**(389,295)**	**(157,703)**	**(27,471)**	**(68,070)**
Reinsurance	149,977	128,404	(101,351)	(39,988)	8,156	(4,779)
Total	**707,886**	**634,803**	**(490,646)**	**(197,691)**	**(19,315)**	**(72,849)**

2019	Gross Written Premiums $'000	Gross Earned Premiums $'000	Gross Claims Incurred $'000	Gross Operating Expenses $'000	Reinsurance Balance $'000	Total $'000
Direct Insurance						
Marine, aviation and transport	130,000	121,726	(53,576)	(42,023)	(24,882)	1,245
Fire and other damage to property	24,658	25,819	(10,368)	(8,913)	(1,755)	4,783
Third party liability	192,026	192,657	(95,682)	(66,510)	(4,776)	25,689
Miscellaneous	102,902	98,759	(82,731)	(34,094)	20,802	2,736
Total Direct	**449,586**	**438,961**	**(242,357)**	**(151,540)**	**(10,611)**	**34,453**
Reinsurance	99,311	111,927	(111,870)	(38,639)	3,473	(35,109)
Total	**548,897**	**550,888**	**(354,227)**	**(190,179)**	**(7,138)**	**(656)**

b) Analysis of premium by geographic area

by origin:

	Gross Written Premiums		Profit /(Loss) Before Taxation	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
United Kingdom				
Direct	424,437	390,016	(75,065)	18,798
United States				
Direct	95,325	195	(9,341)	(264)
Rest of World				
Direct	3	332	488	10,430
Europe (excluding UK)				
Direct	38,144	59,043	18,085	5,489
	557,909	**449,586**	**(68,070)**	**34,453**
Reinsurance			(4,779)	(35,109)
Investment return			47,507	108,972
Foreign exchange gains			2,621	3,898
(Loss)/profit on ordinary activities before taxation			**(22,721)**	**112,214**

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	
	2020 $'000	**2019 $'000**
United States	165,861	128,129
United Kingdom	349,322	284,054
Europe (excluding UK)	13,630	38,710
Rest of the world	178,047	97,939
Canada	1,026	65
Total	**707,886**	**548,897**

5 Movement in prior year's provision for claims outstanding

The Company experienced a net favourable loss development in the year of $48.4m (2019, $65.8m).

6 Net operating expenses

	2020 $'000	**2019 $'000**
Acquisition costs	127,427	107,975
Change in deferred acquisition costs	(12,596)	317
Administrative expenses	82,860	81,887
Gross operating expenses	**197,691**	**190,179**
Reinsurance commissions and profit participation	(5,647)	(8,361)
Net operating expenses	**192,044**	**181,818**

Included in administrative expenses is auditors remuneration of $445.5k (2019, $441.4k).

	2020 $	2019 $
Audit of the Financial Statements	360,420	321,534
Audit related assurance services	85,118	119,852
Total	**445,538**	**441,386**

Total commissions for direct insurance accounted for during the year amounted to $97.7m (2019, $88.3m).

7 Investment income

	2020 $'000	2019 $'000
Income from investments	23,054	29,513
Gains on the realisation of investments	62,248	36,546
Total	**85,302**	**66,059**

8 Investment expenses and charges

	2020 $'000	2019 $'000
Investment management expenses, including interest	4,950	5,671
Amortisation of fixed interest securities	2,342	2,212
Losses on the realisation of investments	1,378	120
Total	**8,670**	**8,003**

9 Investment return

	2020 $'000	2019 $'000
Investment income	85,302	66,059
Investment expenses and charges	(8,670)	(8,003)
Unrealised (losses)/gains on investments	(29,125)	50,916
Return on investments	**47,507**	**108,972**

10 (Loss)/profit on ordinary activities before taxation

	2020 $'000	2019 $'000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Rentals under operating leases - land and buildings	609	562
Depreciation	24	25

11 Taxation

a) Analysis of charge for the year

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

	2020 $'000	2019 $'000
Current Taxation		
Current tax (credit)/charge on (loss)/profit for the period - UK corporation tax	(4,558)	21,469
Current tax charge on (loss)/profit for the period - US corporation tax	4,281	3,967
Current tax credit on (loss)/profit for the period - US corporation tax settled by Markel Corporation under the tax sharing agreement	(4,281)	(3,967)
Adjustment in respect of prior periods	678	139
Total current tax (credit)/charge	**(3,880)**	**21,608**
Deferred Taxation		
Origination and reversal of timing differences	(191)	(298)
Adjustment in respect of prior periods	12	-
Rate change	66	-
Deferred tax (credit)/charge on (loss)/profit for the period - US corporation tax	(9,814)	17,905
Deferred tax charge/(credit) on (loss)/profit for the period - US corporation tax settled by Markel Corporation under the tax sharing agreement	9,814	(17,905)
Total deferred tax credit	**(113)**	**(298)**
Taxation (credit)/charge on (loss)/profit on ordinary activities	**(3,993)**	**21,310**

b) Factors affecting the taxation charge for the year

The taxation charge assessed for the year is higher (2019, lower) than the standard rate of corporation taxation in the UK of 19.00% (2019, 19.00%). The differences are explained below:

	2020 $'000	2019 $'000
(Loss)/profit on ordinary activities before taxation	(22,721)	112,214
(Loss)/profit on ordinary activities multiplied by standard effective rate of corporation taxation in the UK of 19.00% (2019, 19.00%)	(4,317)	21,321
Effects of		
Dividend income not taxable	(652)	(877)
US corporation tax	4,281	3,967
US corporation tax settled by Markel Corporation under the tax sharing agreement	(4,281)	(3,967)
Other permanent differences	220	765
Prior year adjustment	690	139
Tax rate differential	-	35
Rate change	66	-
Other	-	(73)
Total tax (credit)/charge for the year	**(3,993)**	**21,310**

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.

12 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.

	2020 £	2019 £
Aggregate remuneration	3,928,962	4,367,506

During 2020 Retirement benefits were accruing to three Directors under defined contribution pension schemes (2019, five) and to three Directors under a defined benefit scheme (2019, two).

In February 2021, 1,155 Markel shares were awarded to six Directors vesting on 31 December 2023 based on continuous employment to that date.

Highest paid Director

	2020 £	2019 £
Aggregate remuneration and benefits under long term incentives (excluding gains on exercise of share options and value of shares received)	780,495	917,801

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

In February 2021, 436 Markel shares were awarded to the highest paid Director vesting on 31 December 2023 based on continuous employment to that date.

13 Staff numbers and costs

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

Staff costs	**2020 $'000**	**2019 $'000**
Wages and salaries	447	749
Social security costs	88	85
Other pension costs	12	39
	547	**873**

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

	2020	**2019**
Administration and finance	3	4
Sales, marketing and underwriting	2	1
	5	**5**

14 Investments

Investments in subsidiaries and participating interests

	Carrying Value		Cost	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Shares in subsidiaries at beginning of year	4,790	4,790	8,538	8,538
Impairment loss on subsidiary	-	-	-	-
Shares in subsidiaries at end of year	**4,790**	**4,790**	**8,538**	**8,538**

Set out below are the Company's subsidiaries as at 31 December 2020.

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

(1) held by Markel Syndicate Management Limited
(2) held by Markel International Services (Delaware) Limited

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

Other financial investments

	Carrying Value		Cost	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Shares and other variable yield securities and units in unit trusts	292,613	344,078	120,396	138,054
Debt securities and other fixed income securities	511,130	556,154	525,147	567,677
Short term investments (debt securities and commercial paper)	99,999	-	99,999	-
Money market funds	204,210	53,304	204,210	53,304
Deposits with credit institutions	298,213	242,540	298,213	242,540
Total	**1,406,165**	**1,196,076**	**1,247,965**	**1,001,575**

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Shares and other variable yield securities and units in unit trusts	292,178	435	-	292,613
Short term investments	99,999	-	-	99,999
Total	**392,177**	**435**	**-**	**392,612**

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

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

	2020 $'000	2019 $'000
Cost	525,147	567,677
Cumulative amortisation	(14,017)	(11,523)
Amortised cost	511,130	556,154
Market Value	575,860	597,903

The redemption value of investments held at the year end was $26.8m higher (2019, $28.5m higher) than the amortised cost.

15 Debtors arising out of direct insurance operations and reinsurance operations

	Direct Insurance Operations		Reinsurance Operations	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Amounts owed by fellow Markel subsidiaries	2,644	-	27,721	21,983
Amounts owed by intermediaries	213,850	135,878	52,481	88,381
Total	**216,494**	**135,878**	**80,202**	**110,364**

16 Deferred taxation

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

	2020 $'000	2019 $'000
Difference between accumulated depreciation and capital allowances	58	73
Other timing differences	(346)	(621)
Total liability	**(288)**	**(548)**

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

	Deferred Tax Liability 2020 $'000	Pension Tax Liability 2020 $'000	Total 2020 $'000	Total 2019 $'000
At beginning of year	(548)	(4,333)	**(4,881)**	**(3,476)**
Income Statement credit - current	338	(147)	**191**	**298**
Income Statement credit - prior and rate change	(78)	-	**(78)**	**-**
Movement in Statement of Comprehensive Income	-	345	**345**	**(1,703)**
At end of year	**(288)**	**(4,135)**	**(4,423)**	**(4,881)**

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). Following the substantive enactment of this new law on 17 March 2020, deferred taxation in respect of timing differences expected to reverse in 2020 and subsequent years has been calculated at a deferred tax rate of 19% (2019, 17%), this is consistent with the deferred tax rate applied in the consolidated group accounts.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. As the proposal to increase the rate has not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax credit for the period by $1.2m and to increase the deferred tax liability by $1.2m.

No deferred tax asset is recognised in respect of aggregate cumulative unrelieved tax losses of $51.9m (2019, $52.4m) 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.

17 Other debtors

	2020 $'000	2019 $'000
Amounts owed by fellow Markel subsidiaries	2,266	31,488
Current taxation	3,544	-
Other debtors	(285)	(4,361)
Total	**5,525**	**27,127**

18 Tangible Assets

	IT Equipment $'000	Leasehold Improvements $'000	Total Tangible Assets $'000
Cost			
At beginning of year	53	1,433	1,486
Additions in the year	-	-	-
Disposals in the year	-	-	-
At the end of the year	53	1,433	1,486
Accumulated depreciation			
At the beginning of the year	(53)	(1,372)	(1,425)
Charge for the year		(24)	(24)
At the end of the year	(53)	(1,396)	(1,449)
Net book value			
At 31 December 2020	**-**	**37**	**37**
At 31 December 2019	**-**	**61**	**61**

19 Share capital

The share capital of the Company is as follows:

Called up, allotted and fully paid

	2020 $'000	2019 $'000
26,720,259 ordinary shares of $10.00, at end of year	**267,202**	**267,202**

20 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.

		2020			2019	
Provision for claims outstanding	**Gross $'000**	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
At 1 January	1,157,801	(491,984)	665,817	1,339,775	(550,048)	789,727
Movement in provision	121,682	18,835	140,517	25,668	2,185	27,853
Part VII transfer to MISE	-	-	-	(210,575)	49,311	(161,264)
Part VII transfer of ECIC	31,766	(36,734)	(4,968)	-	-	-
Movement due to foreign exchange	44,041	(13,175)	30,866	2,933	6,568	9,501
Total movement in reserves	197,489	(31,074)	166,415	(181,974)	58,064	(123,910)
At 31 December	**1,355,290**	**(523,058)**	**832,232**	**1,157,801**	**(491,984)**	**665,817**

		2020			2019	
Provision for unearned premiums	**Gross $'000**	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
At 1 January	225,251	(36,337)	188,914	271,354	(55,571)	215,783
Movement in provision	73,083	(5,443)	67,640	(1,991)	16,602	14,611
Part VII transfer to MISE	-	-	-	(44,937)	2,833	(42,104)
Movement due to foreign exchange	4,206	(768)	3,438	825	(201)	624
Total movement in reserves	77,289	(6,211)	71,078	(46,103)	19,234	(26,869)
At 31 December	**302,540**	**(42,548)**	**259,992**	**225,251**	**(36,337)**	**188,914**

Deferred acquisition costs	**2020 $'000**	**2019 $'000**
At 1 January	42,618	52,113
Change in deferred acquisition costs	12,596	(317)
Part VII transfer to MISE	-	(8,886)
Part VII transfer of ECIC	11	-
Movement due to foreign exchange	(93)	(292)
At 31 December	**55,132**	**42,618**

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 2020
Before the effect of reinsurance, the loss development table is:

Underwriting year	Prior years $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
Estimate of cumulative claims incurred												
At end of underwriting year		82,350	93,413	94,855	192,385	147,572	146,329	330,818	251,978	232,322	245,399	
One year later		154,094	164,591	313,806	356,462	306,849	265,161	510,905	354,506	543,031		
Two years later		155,875	284,017	261,985	311,965	293,329	239,157	422,349	353,742			
Three years later		297,055	253,896	235,594	318,423	282,848	203,604	438,487				
Four years later		279,786	248,969	220,823	300,933	258,452	202,986					
Five years later		272,003	247,760	209,477	280,633	260,633						
Six years later		262,716	242,609	198,269	299,652							
Seven years later		255,336	229,305	195,886								
Eight years later		255,296	225,609									
Nine years later		251,416										
Cumulative paid claims												
At end of underwriting year		(7,579)	(4,576)	(4,544)	5,631	(9,097)	(12,652)	(44,774)	(11,781)	(24,625)	(27,929)	
One year later		(36,358)	(31,800)	(46,905)	(51,211)	(46,428)	(43,325)	(177,055)	(103,337)	(130,623)		
Two years later		(60,961)	(103,338)	(80,841)	(109,482)	(97,909)	(82,898)	(252,028)	(165,217)			
Three years later		(149,070)	(130,205)	(105,156)	(148,846)	(129,232)	(105,867)	(318,708)				
Four years later		(172,641)	(165,904)	(117,233)	(165,488)	(152,540)	(114,693)					
Five years later		(180,488)	(184,111)	(125,061)	(199,002)	(186,908)						
Six years later		(189,516)	(195,401)	(144,203)	(211,681)							
Seven years later		(197,989)	(202,245)	(149,573)								
Eight years later		(207,183)	(205,813)									
Nine years later		(224,692)										
Total outstanding claims provision per the Statement of Financial Position	**74,286**	**26,724**	**19,796**	**46,313**	**87,971**	**73,725**	**88,292**	**119,779**	**188,525**	**412,409**	**217,470**	**1,355,290**

Net outstanding claims provision as at 31 December 2020

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

Underwriting year	Prior years $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
Estimate of cumulative claims incurred												
At end of underwriting year		77,456	87,561	74,900	119,116	112,669	115,205	273,825	172,033	171,015	174,501	
One year later		142,718	157,883	164,416	233,472	214,364	197,391	416,946	241,832	412,309		
Two years later		134,909	169,729	145,988	198,999	189,539	141,849	319,907	237,562			
Three years later		149,702	158,592	131,192	200,762	171,674	125,204	322,359				
Four years later		144,778	154,926	125,020	192,527	154,602	125,621					
Five years later		141,126	153,904	119,164	179,071	159,983						
Six years later		140,230	151,847	108,602	192,360							
Seven years later		138,341	145,400	111,657								
Eight years later		134,757	145,931									
Nine years later		133,520										
Cumulative paid claims												
At end of underwriting year		(7,341)	(4,560)	(1,580)	7,252	(8,249)	(12,641)	(43,617)	(11,474)	(13,891)	(19,921)	
One year later		(34,088)	(30,710)	(28,110)	(22,173)	(44,349)	(25,773)	(163,837)	(79,153)	(108,067)		
Two years later		(57,549)	(65,265)	(51,542)	(67,529)	(90,491)	(62,108)	(219,344)	(127,983)			
Three years later		(81,113)	(87,650)	(67,999)	(94,518)	(111,911)	(77,117)	(260,440)				
Four years later		(97,180)	(114,105)	(75,559)	(110,035)	(121,583)	(83,096)					
Five years later		(103,201)	(125,658)	(78,054)	(126,200)	(129,483)						
Six years later		(108,485)	(134,101)	(86,682)	(136,937)							
Seven years later		(115,376)	(139,544)	(90,521)								
Eight years later		(118,738)	(142,861)									
Nine years later		(120,839)										
Total outstanding claims provision per the Statement of Financial Position	**36,578**	**12,681**	**3,071**	**21,136**	**55,423**	**30,499**	**42,525**	**61,919**	**109,579**	**304,241**	**154,580**	**832,232**

21 Creditors arising out of direct insurance operations and reinsurance operations

	Direct Insurance Operations		Reinsurance Operations	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Amounts owed to other Markel subsidiaries	1,344	2,409	6,387	19,108
Amounts owed to intermediaries	95,508	39,945	55,918	53,464
Total	**96,852**	**42,354**	**62,305**	**72,572**

22 Other creditors, including taxation and social security

	2020 $'000	2019 $'000
Current taxation	-	6,884
Other creditors	3,248	8,014
Total	**3,248**	**14,898**

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

23 Discounted claims

The claims relating to Periodical Payment Orders ("PPOs") have been discounted as follows:

	Discount rates		Mean term of liabilities	
Class of business	**2020**	**2019**	**2020**	**2019**
Motor	3.0%	3.0%	24.8 years	23.3 years

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

The claims provisions relatingh to PPOs before discounting are as follows*:

	2020 £'000	2019 £'000
Total claims provisions before discounting	16,336	16,073
Reinsurers' share of total claims provisions before discounting	-	-
Net claims provisions before discounting	**16,336**	**16,073**
Discount credit	(9,284)	(7,763)
Net claims provisions post discounting	**7,052**	**8,310**

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

The claims relating to Mesothelioma have been discounted as follows:

	Discount rates	Mean term of liabilities
Class of business	**2020**	**2020**
ECIC	3.0%	13.1 years

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

The claims provisions relating to Mesothelioma before discounting are as follows*:

	2020 £'000
Total claims provisions before discounting	14,813
Reinsurers' share of total claims provisions before discounting	-
Net claims provisions before discounting	**14,813**
Discount credit	(5,218)
Net claims provisions post discounting	**9,595**

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

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.

The contribution to the Scheme for the period was £2.6m (2019, £2.6m), and was paid on behalf of the Company by MISL. The assets of the Scheme are held separately from those of the Company, being invested in listed United Kingdom and overseas equities, fixed interest securities and cash deposits. An escrow agreement has been put in place which requires the Company to make additional contributions to the LSF Fund should the Company's AM Best credit rating fall below A-.

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

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

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

On 1 April 2012, the Company closed the Scheme to future service accrual. Those employees affected were invited to join the Markel International Pension Scheme. In accordance with paragraph 28.22 of FRS102, the Company is of the view that it is able to recognise a Scheme surplus as a defined benefit plan asset as it believes it will be able to recover the surplus. At 31 December 2020 there was a gross surplus of \$21.8m (\$17.6m net of deferred tax liability) on the Scheme that has been recognised in the accounts.

An independent actuarial FRS102 valuation of both the TN Fund and the LSF Fund was carried out as at 31 December 2020 using the projected unit method.

The principal assumptions used by the actuary were:

	2020	2019	2018
Discount rate	1.45%	2.10%	2.95%
Inflation assumption	2.95%	3.00%	3.20%
Deferred pension revaluation	2.15%	2.20%	2.25%
Salary increase assumption	2.90%	2.95%	2.95%
Pension increase assumption	2.85%	2.90%	3.15%

The assumed life expectancies on retirement at age 65 are:

	LSF Fund 2020	TN Fund 2020	LSF Fund 2019	TN Fund 2019
Current pensioners:				
Men	24.5	25.0	24.4	24.9
Women	26.1	26.6	26.0	26.5
Future pensioners:				
Men	26.2	26.7	26.1	26.6
Women	27.9	28.4	27.9	28.3

The assets in the Scheme were:

	LSF Fund 2020 £'000	TN Fund 2020 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000
Equities	11,065	55,340	10,520	52,680
Debt securities	7,709	44,130	7,008	47,405
Corporate bonds	11,420	29,219	10,632	20,638
Other	3,379	13,482	3,088	12,320
Cash	-	2,410	-	4
Total market value of assets	33,573	144,581	31,248	133,047
Actuarial value of liability	(32,903)	(129,251)	(28,786)	(116,204)
Surplus in the Scheme	670	15,330	2,462	16,843
Related deferred tax liability	(127)	(2,913)	(419)	(2,863)
Net Pension Asset	**543**	**12,417**	**2,043**	**13,980**

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

Reconciliation of present value of Scheme liabilities	**Total 2020 £'000**	**LSF Fund 2020 £'000**	**TN Fund 2020 £'000**	**Total 2019 £'000**	**LSF Fund 2019 £'000**	**TN Fund 2019 £'000**
At beginning of year	**144,990**	28,786	116,204	**133,982**	25,941	108,041
Current service cost	**-**	-	-	**216**	216	-
Interest cost	**2,990**	599	2,391	**3,889**	759	3,130
Benefits paid	**(5,211)**	(499)	(4,712)	**(4,339)**	(451)	(3,888)
Actuarial gain	**19,385**	4,017	15,368	**11,242**	2,321	8,921
At end of year	**162,154**	**32,903**	**129,251**	**144,990**	**28,786**	**116,204**

Reconciliation of fair value of Scheme assets	Total 2020 £'000	LSF Fund 2020 £'000	TN Fund 2020 £'000	Total 2019 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000
At beginning of year	**164,295**	31,248	133,047	**146,067**	27,982	118,085
Income on plan assets	**3,409**	653	2,756	**4,264**	822	3,442
Employer contributions	**2,630**	430	2,200	**2,630**	430	2,200
Benefits paid	**(5,211)**	(499)	(4,712)	**(4,340)**	(451)	(3,889)
Actuarial gain	**13,031**	1,741	11,290	**15,674**	2,465	13,209
At end of year	**178,154**	**33,573**	**144,581**	**164,295**	**31,248**	**133,047**

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

The income on plan assets is determined by considering returns available on the assets underlying the current investment policy. Yields on fixed interest investments are based on gross redemption yields as at the reporting date. Return on equities reflect the long term real rates of return experienced in the market. The actual return on Scheme assets in the year was a gain of £16.4m (2019, gain of £19.9m)

Movement in surplus during the year	Total 2020 £'000	LSF Fund 2020 £'000	TN Fund 2020 £'000	Total 2019 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000
Surplus in the Scheme at the beginning of the year	**19,305**	2,462	16,843	**12,084**	2,041	10,043
Movement in the year:						
Employer contributions	**2,630**	430	2,200	**2,630**	430	2,200
Current service costs	**-**	-	-	**(216)**	(216)	-
Net return on assets	**419**	54	365	**375**	63	312
Actuarial (loss)/gain	**(6,354)**	(2,276)	(4,078)	**4,432**	144	4,288
Surplus in the Scheme at the end of year	**16,000**	**670**	**15,330**	**19,305**	**2,462**	**16,843**

Movement in surplus during the year	Total 2020 $'000	LSF Fund 2020 $'000	TN Fund 2020 $'000	Total 2019 $'000	LSF Fund 2019 $'000	TN Fund 2019 $'000
Surplus in the Scheme at the end of year	**21,759**	911	20,848	**25,484**	3,250	22,234
Related deferred tax liability	**(4,134)**	(173)	(3,961)	**(4,333)**	(553)	(3,780)
Net Pension Asset	**17,625**	**738**	**16,887**	**21,151**	**2,697**	**18,454**

The actuarial loss recognised on the pension scheme is £6.4m, or $8.6m (2019, gain of £4.4m or $5.9m). The movement on deferred tax relating to the pension asset is a credit of $0.3m (2019, debit of $1.7m).

Analysis of amount recognised in Statement of Comprehensive Income	Total 2020 £'000	LSF Fund 2020 £'000	TN Fund 2020 £'000	Total 2019 £'000	LSF Fund 2019 £'000	TN Fund 2019 £'000
Return on plan assets excluding interest income	**13,031**	1,741	11,290	**15,674**	2,465	13,209
Changes in assumptions underlying the Scheme liabilities	**(18,966)**	(3,963)	(15,003)	**(11,083)**	(2,474)	(8,609)
Movement in year on pension asset recognition	**-**	-	-	**9,725**	1,642	8,083
(Loss)/gain recognised in Statement of Comprehensive Income	**(5,935)**	**(2,222)**	**(3,713)**	**14,316**	**1,633**	**12,683**

	Total 2020 $'000	LSF Fund 2020 $'000	TN Fund 2020 $'000	Total 2019 $'000	LSF Fund 2019 $'000	TN Fund 2019 $'000
(Loss)/gain recognised in Statement of Comprehensive Income	**(8,072)**	**(3,022)**	**(5,050)**	**18,897**	**2,156**	**16,741**

The cumulative amount of loss recognised in the Statement of Comprehensive Income is £13.3m (2019, £7.4m).

Analysis of net return on Pension Scheme	2020 £'000	2019 £'000
Income on plan assets	3,409	4,264
Interest on pension liabilities	(2,990)	(3,889)
Net return	**419**	**375**

History of defined benefit assets and obligations and experience gains and losses	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Return on plan assets excluding interest income:					
Amount	**13,031**	**15,674**	**(8,306)**	**9,288**	**11,484**
Percentage of scheme assets	7%	10%	(6)%	6%	8%
Experience losses/(gains) on scheme liabilities:					
Amount	**-**	**-**	**-**	**-**	**(2,961)**
Percentage of scheme liabilities	0%	0%	0%	0%	2%
History of defined benefit assets and obligations					
Defined benefit obligations	162,154	144,990	133,983	151,973	145,219
Fair value of scheme assets	178,154	164,295	146,067	165,515	142,801
(Surplus)/deficit	**(16,000)**	**(19,305)**	**(12,084)**	**(13,542)**	**2,418**

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

	2020 $'000	2019 $'000
At beginning of year	**(4,333)**	**(2,630)**
Income Statement tax charge	(147)	-
Tax credit taken to Statement of Comprehensive Income	345	(1,703)
At end of year	**(4,135)**	**(4,333)**

An indication of the sensitivity of the pension asset to changes in the most material assumptions is included in the table below. The sensitivity is based on one item changing while all other items are held constant.

2020	**Total**	**LSF Fund**	**TN Fund**
Surplus in the scheme at the end of the year	16,000	670	15,330
minus 0.25% discount rate	6,890	(1,205)	8,095
plus 0.25% discount rate	24,451	2,406	22,045
minus 0.25% inflation rate	21,499	1,783	19,716
plus 0.25% inflation rate	9,588	(548)	10,136
Mortality - 1 year age rating	9,924	(423)	10,347

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:

	2020 $'000	2019 $'000
Expiring within one year	609	556
Expiring between one and five years	2,434	2,223
Expiring after more than five years	1,088	1,549
	4,131	**4,328**

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

b) The Company has outstanding liabilities, covered by certain assets, in respect of outstanding letters of credit amounting to $10.6m (2019, $10.5m).

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 Part VII transfer to Markel Insurance Societas Europaea

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

	2019 $'000
Investments	172,475
Reinsurers' share of provisions for unearned premiums	2,833
Reinsurers' share of claims outstanding	49,311
Debtors arising out of direct and reinsurance operations	22,007
Deferred acquisition costs	8,886
Total Assets	**255,512**
Provisions for unearned premiums	44,937
Claims outstanding	210,575
Total Liabilities	**255,512**

27 Part VII transfer of EC Insurance Company Limited

From 28 November 2017, the Company has fully reinsured all business written by EC Insurance Company Limited ("ECIC"), a fellow subsidiary of MCH. On 5 March 2020 and 6 March 2020 the High Courts of the UK and Jersey respectively granted approval for a part VII transfer whereby the Company assumed all insurance obligations of ECIC effective 20 March 2020. A summary of the assets and liabilities transferred is below.

	2020 $'000
Reinsurers' share of claims outstanding	36,734
Debtors arising out of direct and reinsurance operations	(4,979)
Deferred Acquisition Costs	11
Total Assets	**31,766**
Claims outstanding	31,766
Total Liabilities	**31,766**

28 Related party information

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

During the year the Company had three insurance policies in force with related parties. The Company had an 11% line on each of three Casualty Treaty contracts (£4m x £1m, £5m x £5m, and £5m x 10m) which reinsure Newline Reinsurance. John Spencer resigned as a director of Newline during 2020.

29 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.

30 Events since the reporting date

There have been no material events since the reporting date.