

**ROYAL & SUN ALLIANCE INSURANCE (GLOBAL)
LIMITED**

**Annual Report and Accounts
for the year ended 31 December 2009**

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ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

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ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Company information

Directors

R J Clayton

D P Cockrem

I A Craston

M G Culmer

N G P Donaldson

M Harns

Secretary

Roysun Limited

Registered office

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

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
London

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Directors' report for the year ended 31 December 2009

The directors present their Annual Report on the affairs of the Company and the audited financial statements for the year ended 31 December 2009

Business review and principal activities

The principal activity of the Company is the writing of general insurance business, including multinational business, principally in the Netherlands and Belgium

The results for the Company show a profit on ordinary activities before tax of £19,029,000 (2008 £15,914,000) for the year and gross premiums written of £61,594,000 (2008 £57,116,000). The shareholders' funds of the Company were £107,836,000 as at 31 December 2009 (31 December 2008 £93,928,000)

Future outlook

There is not expected to be any change to the business in the foreseeable future

Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2009 (2008 £nil)

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated within the principal risks of the RSA Insurance Group plc (the "Group") and are not managed separately. The principal risks and uncertainties of the Group, which include those of the UK business, and hence the Company, are set out in the estimation techniques, risks, uncertainties and contingencies on pages 82 to 84, and in the risk framework on pages 30 to 32 of the Annual Report & Accounts of the Group which do not form part of this report

A discussion on the management of financial risk is set out below

Financial risk management

The Company is a subsidiary of RSA Insurance Group plc and its management of risk is set at Group level. The Group's approach to financial risk, through its management of credit, market and liquidity risks, is set out below

Credit risk

The primary sources of credit risk within the Group are investment and treasury activities and reinsurance counterparty risk. Within the investment management and treasury activities, a range of bank counterparty concentration and credit quality limits together with other controls are in place to ensure that exposure is managed within the Group risk appetite. New reinsurance cover is placed with reinsurers that are authorised as Approved Reinsurance Counterparties recommended by the Group Reinsurance Credit Committee under criteria approved by the Board Risk Committee

Market risk

Market risk arises from the Group's investment portfolios. The Global Asset Management Committee is the management committee that oversees the Group's investment strategy under the oversight of the Investment Committee and operating within risk limits set by the Board Risk Committee

Liquidity risk

Liquidity risk is considered to be a low risk category. Group liquidity is managed by Group Treasury and each operation is required to maintain a minimum level of cash or cash equivalents or highly liquid assets that can be liquidated within a maximum stated period of time. Contingency funding plans are prepared and monitored to ensure that these minimum levels are met even in stress conditions

Key performance indicators

The directors of RSA Insurance Group plc manage the Group's operations on a divisional basis. For this reason the Company's directors believe that analysis using key performance indicators (KPIs) for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. Financial KPIs are detailed in the Annual Report & Accounts of the Group (which do not form part of this report) within the Group CEO review on pages 6 to 10 and the regional business reviews on pages 14 to 25. The Annual Report & Accounts of the Group also includes non-financial KPIs which are detailed in the regional business reviews on pages 14 to 25, the corporate responsibility report on pages 33 to 37 and the directors' report on pages 43 to 46

Articles of association

The Companies Act 2006, which became effective on 1 October 2009, abolishes the requirement for a company to have an authorised share capital through the repeal of section 2(5)(a) of the Companies Act 1985

Accordingly, by written resolution passed on 1 April 2010, the Company amended its articles of association (the "Old Articles") by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, were treated with effect from 1 October 2009 as provisions of the Old Articles. At the same time the Company adopted new Articles of Association (the "New Articles"). The New Articles do not contain restrictions on the share capital of the Company and consequently, the Company no longer has an authorised share capital

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Directors' report (continued)

for the year ended 31 December 2009

Directors

The names of the current directors, who served throughout the year, are listed on page 1. P L Miles resigned as a director of the Company on 30 June 2010.

Auditors

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

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

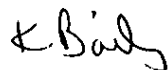
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have confirmed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed to be reappointed as auditors in the absence of an Annual General Meeting.

Going concern

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Company is exposed, the Company's ongoing financial commitments and the continuing availability of sufficient Group resources for the next twelve months and beyond. As a result of this, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

By Order of the Board



Roysun Limited

Secretary

29 September 2010

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Royal & Sun Alliance Insurance (Global) Limited

We have audited the financial statements of Royal & Sun Alliance Insurance (Global) Limited for the year ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and international Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Equalisation provisions

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation provisions in respect of general insurance business. The nature of equalisation provisions, the amounts set aside at 31 December 2009 and the effect of the movement in those provisions during the year on shareholders' funds, the balance on the Technical account - general business and the profit before tax are disclosed in notes 1 and 19.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

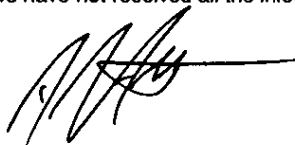
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Alexander Arterton (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom



2010

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Profit & loss account for the year ended 31 December 2009

Technical account – general business

	Notes	2009 £000	2008 £000
Gross premiums written	4	61,594	57,116
Outward reinsurance premiums		(27,329)	(29,246)
Premiums written, net of reinsurance		34,265	27,870
Change in the gross provision for unearned premiums		515	290
Change in the provision for unearned premiums, reinsurers' share		(837)	(1,029)
Earned premiums, net of reinsurance		33,943	27,131
Claims paid			
Gross amount		(33,731)	(44,774)
Reinsurers' share		20,093	20,439
		(13,638)	(24,335)
Change in the provision for claims			
Gross amount		8,431	13,010
Reinsurers' share		(8,254)	(5,158)
		177	7,852
Claims incurred, net of reinsurance		(13,461)	(16,483)
Acquisition costs		(3,519)	(2,800)
Change in deferred acquisition costs		125	14
Administrative expenses		(8,429)	(7,128)
Reinsurance commissions and profit participation		2,574	3,034
Net operating expenses		(9,249)	(6,880)
Balance on the technical account before change in equalisation provision		11,233	3,768
Change in the equalisation provision	19	(840)	(662)
Balance on the technical account for general business		10,393	3,106

The notes on pages 10 to 20 form an integral part of these accounts

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Profit & loss account (continued)

for the year ended 31 December 2009

Non-technical account

	Notes	2009 £000	2008 £000
Balance on the technical account for general business		10,393	3,106
Investment income	10	8,458	8,209
Unrealised gains on investments		178	4,599
Profit on ordinary activities before tax	4	19,029	15,914
Taxation on profit on ordinary activities	11	(5,129)	(3,692)
Profit for the financial year		13,900	12,222

Statement of total recognised gains and losses for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Profit for the financial year		13,900	12,222
Foreign exchange (losses)/gains		(1,461)	2,931
Tax on foreign exchange gains		8	432
Unrealised gains on investments in group undertakings		1,461	763
Total recognised gains and losses		13,908	16,348

All figures relate to continuing operations

The notes on pages 10 to 20 form an integral part of these accounts

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED**Balance sheet**
as at 31 December 2009

Assets	Notes	2009 £000	2008 £000
Investments			
Investment in group undertakings and participating interests	12	14,440	12,979
Other financial investments	12	164,655	163,951
		179,095	176,930
Reinsurers' share of technical provisions			
Provision for unearned premiums		5,252	6,581
Claims outstanding		30,190	41,632
		35,442	48,213
Debtors			
Debtors arising out of direct insurance operations - policyholders		140	6
Debtors arising out of direct insurance operations - intermediaries		6,904	6,961
Debtors arising out of reinsurance operations		4,025	3,859
Other debtors	13	1,457	690
		12,526	11,516
Other assets			
Tangible assets	15	257	40
Cash at bank and in hand		11,477	21,987
		11,734	22,027
Prepayments and accrued income			
Accrued interest and rent		1,773	1,054
Deferred acquisition costs		487	400
Other prepayments and accrued income		49	120
		2,309	1,574
Total assets		241,106	260,260

The notes on pages 10 to 20 form an integral part of these accounts

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED**Balance sheet (continued)**

as at 31 December 2009

Liabilities

	Notes	2009 £000	2008 £000
Capital and reserves			
Called up share capital	16	36,367	36,367
Share premium account	17	28,355	28,355
Revaluation reserve	17	9,400	7,939
Profit and loss account	17	33,714	21,267
Shareholders' funds	17	107,836	93,928
Technical provisions			
Provision for unearned premiums		12,864	14,581
Claims outstanding		73,369	87,730
Equalisation provision	19	1,502	662
		87,735	102,973
Creditors			
Creditors arising out of direct insurance operations		1,158	477
Creditors arising out of reinsurance operations		4,275	4,628
Amounts owed to group undertakings		35,713	51,763
Other creditors including taxation and social security		4,389	6,491
		45,535	63,359
Total liabilities		241,106	260,260

The notes on pages 10 to 20 form an integral part of these accounts

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


D Cockrem
Director

29 September 2010

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts

1 Financial statements

The financial statements are prepared in accordance with applicable UK accounting standards and in compliance with the Companies Act 2006, including schedule 3 of the accounting regulations issued under the Act and the Statement of Recommended Practice (SORP) on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006). The financial statements have been prepared under the current value rules, as permitted by Schedule 3 of the accounting regulations, on the going concern basis.

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Company is exposed, the Company's ongoing financial commitments and the continuing availability of sufficient Group resources for the next twelve months and beyond. As a result of this, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

A summary of the major accounting policies, which have been applied consistently throughout the year and the preceding year is set out below.

a) General insurance business

i Underwriting results

The underwriting result is accounted for on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. Premiums written are accounted for in the year in which the contract is entered into and include estimates where the amounts are not determined at the balance sheet date. Premiums written exclude taxes and duties levied on premiums. Commission and other acquisition costs incurred in writing the business are deferred and amortised over the period in which the related premiums are earned.

Claims paid represent all payments made during the period whether arising from events during that or earlier periods.

The balance on the Technical account - general business is arrived at after taking account of changes in the equalisation provision.

ii Technical provisions

The provision for unearned premiums represents the proportion of premiums written relating to periods of insurance subsequent to the balance sheet date, calculated principally on a daily pro rata basis.

The provision for claims outstanding, whether reported or not, comprises the estimated cost of claims incurred but not settled at the balance sheet date. It includes related expenses and a deduction for the expected value of salvage and other recoveries. The provision is determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims.

Differences between the estimated cost and subsequent settlement of claims are dealt with in the technical account for the year in which the claims are settled or in which the provisions for claims outstanding are re-estimated.

Provision is made, based on information available at the balance sheet date, for any estimated future underwriting losses relating to unexpired risks after taking into account future investment income that is expected to be earned from the assets backing the provision for unearned premiums (net of deferred acquisition costs). The unexpired risk provision is assessed in aggregate for business classes which, in the opinion of the directors, are managed together. When considering any requirement for a provision for unexpired risks, no account is taken of any new claims events occurring after the balance sheet date other than those that can be expected during the unexpired period of risk at the balance sheet date.

Equalisation provisions are established in accordance with the Financial Services Authority's rules for insurers in the UK. These provisions, notwithstanding that they do not represent liabilities at the balance sheet date as they are over and above the anticipated ultimate cost of outstanding claims, are required by Schedule 3 of the accounting regulations to the Companies Act 2006 to be included within technical provisions in the balance sheet and any change in the provisions during the year is required to be shown in the technical account - general business.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon gross provisions and having due regard to collectability.

iii Reinsurance recoveries

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to the market data on the financial strength of each of the reinsurance companies and taking into account any disputes on, and defects in, contract wordings.

b) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling using the cumulative average rate for the financial year. The resulting exchange differences are included within the profit and loss account. Non-monetary items are translated at the rate of exchange at the date of the transaction, and are not subsequently retranslated.

The results of overseas operations are translated at the average rates for the period and their balance sheets at the rates ruling at the balance sheet date. The resulting exchange differences are taken to reserves.

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

1 Financial statements (continued)

c) *Investment return*

Income from investments is included in the non-technical account on an accruals basis. Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses. Dividends on equity investments are recognised on the date at which the investment is priced 'ex dividend'.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their carrying value at the balance sheet date and their purchase price or their carrying value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

d) *Pension costs*

A defined contribution scheme is a pension scheme under which the Company pays fixed contributions into a separate entity. A defined benefit scheme is a pension scheme that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and level of salary.

Contributions to defined contribution pension schemes are charged in the period in which the employment services qualifying for the benefit are provided. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the balance sheet.

e) *Taxation*

Current tax, based on profits and income for the year, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences (except as set out below) that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. A deferred tax asset is recognised for relief of trading losses or other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in the future.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

f) *Investments*

Investments in subsidiaries are valued at net asset value unless the subsidiary is in a net liability position, in which case the subsidiary is valued at nil. Reductions in the carrying value of investments in subsidiaries below historic cost and reversals of such reductions are taken to the profit and loss account. Other differences between net asset values and book values of investments in subsidiaries are taken to the revaluation reserve.

The beneficial interest in the investment pool is stated at the Company's share of the value of the underlying assets. Movements in carrying value, together with profits and losses arising on disposal of any part of the beneficial interest, are taken to the non-technical account.

Other investments are stated in the balance sheet at market values comprising stock exchange values for listed securities and directors' valuations for other investments. Profits and losses on the realisation of investments and the differences between market values and book values of the investments, together with the related tax, are taken to the non-technical account.

g) *Tangible fixed assets*

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost less the estimated residual value of the tangible fixed assets on a straight line basis over their expected useful lives (between three and ten years).

h) *Operating leases*

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

2 Estimation techniques, uncertainties and contingencies

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks.

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in respect of the insurance liabilities of the company.

The insurance liabilities of an insurance company include the provision for unearned premiums and unexpired risks and the provision for outstanding claims. Unearned premiums and unexpired risks represent the amount of income set aside by the company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the balance sheet date. Outstanding claims represents the company's estimate of the cost of settlement of claims that have occurred by the balance sheet date but have not yet been finally settled.

In addition to the inherent uncertainty of having to make provision for future events, there is also considerable uncertainty as regards the eventual outcome of the claims that have occurred by the balance sheet date but remain unsettled. This includes claims that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured. As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Estimation techniques

Claims and unexpired risks provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the potential longer term significance of large events, the levels of unpaid claims, legislative changes, judicial decisions and economic and political conditions.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The Company's estimates of losses and loss expenses are reached after a review of several commonly accepted actuarial projection methodologies and a number of different bases to determine these provisions. These include methods based upon the following:

- the development of previously settled claims, where payments to date are extrapolated for each prior year,
- estimates based upon a projection of claims numbers and average cost,
- notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years, and
- expected loss ratios.

In addition, the Company uses other methods such as the Bornhuetter-Ferguson method, which combines features of the above methods. The Company also uses bespoke methods for specialist classes of business. In selecting its best estimate, the Company considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year. The process is designed to select the most appropriate best estimate.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of large claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The claims provisions are subject to close scrutiny both within the Company's business units and at Group Corporate Centre. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for outstanding claims and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate. This technique means that the estimate is inevitably deterministic rather than stochastic.

Uncertainties and contingencies

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss,
- uncertainty as to the extent of policy coverage and limits applicable,
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring, and
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations and court judgments that broaden policy coverage beyond the intent of the original insurance, legislative changes and claims handling procedures.

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

2 Estimation techniques, uncertainties and contingencies (continued)

The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Company's long tail lines of business. The Company seeks to provide appropriate levels of claims provision and provision for unexpired risks taking the known facts and experience into account.

The Company evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposure to levels acceptable to the Company.

Litigation, disputes and investigations

The Company, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the Company's financial position, although there can be no assurance that losses resulting from any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will not materially affect the Company's financial position or cash flows for any period.

Reinsurance

The Company is exposed to disputes on, and defects in, contracts with its reinsurers and the possibility of default by its reinsurers. The Company is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance capacity constraints. In selecting the reinsurers with whom we do business our strategy is to seek reinsurers with the best combination of financial strength, price and capacity. We publish internally a list of authorised reinsurers who pass our selection process and which our operations may use for new transactions.

The Company monitors the financial strength of its reinsurers, including those to whom risks are no longer ceded. Allowance is made in the financial position for non recoverability due to reinsurer default by providing, in line with Group standards, having regard to companies on the Group's 'Watch List'. The 'Watch List' is the list of companies whom the RSA Insurance Group's directors believe will not be able to pay amounts due in full.

Investment risk

The Company is exposed to market risk and credit risk on its invested assets. Market risk includes the risk of potential losses from adverse movements in market rates and prices including interest rates, equity prices, property prices and foreign currency exchange rates. The Company's exposure to market risks is controlled by the setting of investment limits in line with the RSA Insurance Group's risk appetite. From time to time the Company also makes use of derivative financial instruments to reduce exposure to adverse fluctuations in interest rates, foreign exchange rates and equity markets. The Company has strict controls over the use of derivative instruments.

Credit risk includes the non performance of contractual payment obligations on invested assets and adverse changes in the credit worthiness of invested assets including exposures to issuers or counterparties for bonds, equities, deposits and derivatives. Limits are set at both a portfolio and counterparty level based on likelihood of default to manage the RSA Insurance Group's overall credit profile and specific concentrations within risk appetite.

Our insurance investment portfolios are concentrated in listed securities with very low levels of exposure to assets without quoted market prices. We use model based analysis to verify asset values when market values are not readily available.

Rating environment

The ability of the Company to write certain types of insurance business is dependent on the maintenance of the appropriate credit ratings from the rating agencies. The RSA Insurance Group has the objective of maintaining single 'A' ratings. At the present time the ratings are 'A' (stable outlook) from S&P, 'A' (stable outlook) from AM Best, upgraded in February 2009 and 'A2' (stable outlook) from Moody's upgraded from 'A3' in December 2008. Any worsening in the ratings could have an adverse impact on the ability of the RSA Insurance Group and the Company to write certain types of general insurance business.

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

Changes in foreign exchange rates may impact our results

We publish our financial statements in pounds sterling. Therefore, fluctuations in exchange rates used to translate other currencies, particularly other European currencies, into pounds sterling will impact our reported financial condition, results of operations and cash flows from period to period. These fluctuations in exchange rates will also impact the pound sterling value of our investments and the return on our investments.

Income and expenses for each Profit & loss account item are translated at average exchange rates. Balance sheet assets and liabilities are translated at the closing exchange rates at the balance sheet date.

Regulatory environment

The legal, regulatory and accounting environment is subject to significant change in many of the jurisdictions in which we operate, including developments in response to changes in the economic and political environment. We continue to monitor the developments and react accordingly.

The new solvency framework for insurers being developed by the EU, referred to as 'Solvency II', is intended in the medium term to achieve greater harmonisation of approach across EU member states to assessing capital resources and requirements. There will be continued uncertainty until all rules are finalised and the Group is actively participating in shaping the outcome through our involvement with European and UK regulators and industry bodies. The Group is actively progressing its implementation plans and the directors are confident that the Company will continue to meet all future regulatory capital requirements.

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

3 Exchange rates

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

	2009 Cumulative Average	2009 End of Period	2008 Cumulative Average	2008 End of Period
Euro	1 12	1 13	1 26	1 03
Australian Dollar	1 99	1 80	2 19	2 06

The non-technical account includes £nil (2008 £nil) of net gains and losses on the retranslation of foreign currency items

4 Segmental information

a) by class of business

	Direct fire & other damage to property	Direct liability	Total
2009	£000	£000	£000
Gross premiums written	54,969	6,625	61,594
Gross premiums earned	55,417	6,692	62,109
Gross claims incurred	(20,385)	(4,915)	(25,300)
Gross operating expenses	(7,442)	(2,741)	(10,183)
Gross technical result	27,590	(964)	26,626
Reinsurance balance	(12,318)	(3,075)	(15,393)
Change in the equalisation provision	(840)	-	(840)
Net technical result	14,432	(4,039)	10,393

	Direct fire & other damage to property	Direct liability	Total
2008	£000	£000	£000
Gross premiums written	50,016	7,100	57,116
Gross premiums earned	50,122	7,284	57,406
Gross claims incurred	(26,736)	(5,028)	(31,764)
Gross operating expenses	(8,632)	(1,282)	(9,914)
Gross technical result	14,754	974	15,728
Reinsurance balance	(12,142)	182	(11,960)
Change in the equalisation provision	(662)	-	(662)
Net technical result	1,950	1,156	3,106

b) by geographical segment

	2009 £000	2008 £000
Gross premiums written for direct business by origin		
EU Member States	61,594	57,116
Other Countries	-	-
	61,594	57,116
Profit on ordinary activities before taxation		
EU Member States	17,977	12,871
Other Countries	1,052	3,043
	19,029	15,914
Net assets as at 31 December		
EU Member States	121,768	109,830
Other Countries	(13,932)	(15,902)
	107,836	93,928

In the Company's capacity as a global network service provider, gross premiums written of £7,165,000 (2008 £7,517,000) and gross claims paid of £3,965,000 (2008 £4,070,000) do not result in a significant transfer of insurance risk to the Company. In respect of this business underlying insurance risk is retained by other group companies and external network partners.

Total commissions for direct insurance business accounted for by the Company during the year, excluding payments to employees, amounted to £2,585,000 (2008 £2,099,000).

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

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

5 Movement in prior year's provision for claims outstanding

The movement in net incurred claims arising from the difference between the net claims provision at the beginning of the year, and subsequent payments and the claims provision at the end of the year, was a surplus of £2,464,000 (2008 £6,051,000). The positive run-off reflects the Company's approach to setting reserves at a level which is more likely than not to run off favourably over the longer term.

6 Auditors remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual accounts was £8,800 (2008 £8,800) which were borne by a parent company, Royal & Sun Alliance Insurance plc. Details of non-audit fees payable to Deloitte LLP are disclosed in the RSA Insurance Group plc 2009 Annual Report & Accounts.

7 Directors' emoluments

None of the directors received any emoluments from the Company during the year (2008 £nil). All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company, and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

8 Employees and staff costs

	2009 £000	2008 £000
Wages and salaries	1,460	1,159
Social security costs	305	272
Other pension costs	145	60
	1,910	1,491

Average monthly number of persons, including executive directors, employed by the Company during the period was

Claims	3	3
Finance	3	4
Overhead	6	4
Underwriting	9	8
	21	19

9 Foreign pension schemes

The Belgium scheme is a defined benefit scheme and contributions are made to a separately administered fund, which is used to purchase individual insurance contracts that are assigned to each member of the scheme. A minimum return is guaranteed under local legislation and any surplus arising on these contracts is retained for the benefit of the member. In the event that the return on assets is below the guaranteed minimum return, Royal & Sun Alliance Insurance plc would need to fund this deficit through monthly contributions or to pay into the fund an amount to clear the deficit.

As at 31 December 2009 there is a deficit of £5,234 (2008 surplus of £1,932) which is in respect of one member and the fund has a balance of £nil (2008 £nil). As a result of the immateriality of the deficit and the low risk to the Company of a material deficit arising due to the guaranteed income and regular adjustments to the contributions, the full disclosure requirements of Financial Reporting Standard 17 Retirement Benefits have not been provided. The pension charge is based on annual salaries and is booked to the profit and loss account on an accruals basis. The charge for the year is £145,000 (2008 £60,000).

10 Investment income, expenses and charges

	2009 £000	2008 £000
Income from other financial investments	7,171	7,573
Gains on the realisation of investments	1,287	636
	8,458	8,209

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

11 Taxation

The charge for taxation in the profit and loss account comprises

	2009 £000	2008 £000
Current tax		
UK corporation tax	4,958	3,973
Double taxation relief	(2,418)	(1,743)
Overseas taxation	1,669	1,600
Adjustments in respect of prior periods	1,123	313
Total current tax	5,332	4,143
Deferred tax		
Origination and reversal of timing differences	(236)	(225)
Adjustments in respect of prior periods	33	(226)
Total deferred tax (see note 13)	(203)	(451)
Tax charge	5,129	3,692

The UK corporation tax for the current year is based on a rate of 28% (2008 28.5%)

Factors affecting the current tax charge

The current tax charge for the year is more than 28% (2008 less than 28.5%) due to the items set out in the reconciliation below

	2009 £000	2008 £000
Profit on ordinary activities before tax	19,029	15,914
Tax at 28% (2008 28.5%)	5,328	4,535
Factors affecting charge		
Expenses not deductible for tax purposes	24	17
Fiscal adjustments	(593)	(766)
Unrelieved foreign tax credits	(749)	(142)
Adjustment to tax charge in respect of previous periods	1,123	313
Depreciation in excess of capital allowances	6	2
Other timing differences	193	184
Current tax charge for the year	5,332	4,143

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

12 Investments

Group undertakings and participating interests

The Company holds investments in British and Foreign Marine Insurance Company Limited and The Marine Insurance Company Limited, both of which are subsidiaries of RSA Insurance Group plc and are registered in England and Wales. The Company's holdings at 31 December 2009 were as follows:

	Principal activity	Class of shares held	Percentage of nominal value and voting rights held by the Company
British and Foreign Marine Insurance Company Limited	General Insurance	Ordinary	14%
The Marine Insurance Company Limited	General Insurance	Ordinary	15%
		2009 £000	2008 £000
Net asset value			
At 1 January		12,979	12,216
Revaluation		1,461	763
At 31 December		14,440	12,979

The historical cost of investments in subsidiaries is £5,040,000 (2008 £5,040,000)

Other financial investments

	2009 £000	2008 £000
Listed debt securities and other fixed income securities	69,400	46,645
Participation in investment pool	91,529	106,584
Equity securities	3,726	-
Deposits with credit institutions	-	10,722
	164,655	163,951

The composition of the investment pool is 73% (2008 77%) British government stocks, 26% (2008 18%) other government and corporate bonds, and 1% (2008 5%) deposits with credit institutions.

The historical cost of other financial investments is £157,700,000 (2008 £157,100,000)

13 Other debtors

	2009 £000	2008 £000
Sundry debtors	750	186
Deferred tax (see note 14)	707	504
	1,457	690

14 Deferred tax

Deferred tax for the current year is based on a rate of 28% (2008 28%)

	2009 £000	2008 £000
Accelerated capital allowances	101	83
Provisions	606	421
Deferred tax asset	707	504
	2009 £000	2008 £000
Deferred tax asset at 1 January	504	53
Credit for the year	203	451
Deferred tax asset at 31 December	707	504

At the balance sheet date, the Company has unused tax credits of £1,000,278 (2008 £778,786) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax credit of £1,000,278 (2008 £778,786) due to the unpredictability of future profit streams. The unused credit may be carried forward indefinitely.

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

15 Tangible assets

	Equipment £000	Fixtures & Fittings £000	Total £000
Cost			
At 1 January 2009	158	282	440
Foreign exchange	(13)	(23)	(36)
Additions	181	62	243
At 31 December 2009	326	321	647
Depreciation			
At 1 January 2009	158	242	400
Foreign exchange	(13)	(19)	(32)
Charge for the period	16	6	22
At 31 December 2009	161	229	390
Net book value			
At 31 December 2009	165	92	257
At 31 December 2008	-	40	40

16 Share capital

	2009 £000	2008 £000
Allotted, issued and fully paid up		
36,367,172 (2008 36,367,172) ordinary shares of £1 each	36,367	36,367

17 Movements in shareholders' funds

	Share capital £000	Share premium £000	Revaluation reserve £000	Profit and loss account £000	2009 £000	2008 £000
Shareholders' funds at 1 January	36,367	28,355	7,939	21,267	93,928	77,580
Total recognised gains and losses	-	-	1,461	12,447	13,908	16,348
Shareholders' funds at 31 December	36,367	28,355	9,400	33,714	107,836	93,928

18 Operating lease commitments and charges

Annual commitments in respect of non-cancellable operating leases are as follows

	2009 Land and buildings £000	2009 Other £000	2008 Land and buildings £000	2008 Other £000
Operating leases which expire				
Within 1 year	-	9	-	3
Between 1 and 5 years	143	106	126	91
	143	115	126	94

The total lease rental charged as an expense in the profit and loss account is £138,000 in respect of land and buildings (2008 £102,000) and £95,000 in respect of other operating leases (2008 £72,000)

19 Equalisation provisions

	2009 £000	2008 £000
Provision as at 1 January	662	-
Charged	840	662
Provision as at 31 December	1,502	662

As explained in note 1a)ii, the effect of this provision is to decrease shareholders' funds by £1,502,000 (2008 £662,000). The increase in the provision during the year had the effect of decreasing (2008 decreasing) the balance on the technical account – general business and the profit on ordinary activities before taxation by £840,000 (2008 £662,000).

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Notes to the accounts (continued)

20 Cash flow statement

The Company is a wholly-owned subsidiary of RSA Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of RSA Insurance Group plc. The Company has thus taken advantage of the exemption permitted by FRS 1 (revised 1996) 'Cash flow Statements' and has elected not to prepare its own cash flow statement.

21 Related party transactions

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures' from disclosing details of transactions with RSA Insurance Group plc and its subsidiaries and associated undertakings. There were no other related party transactions requiring disclosure.

22 Parent companies

The Company's immediate parent company is Royal & Sun Alliance Insurance plc which is registered in England and Wales.

The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 9th Floor, One Plantation Place, 30 Fenchurch Street, London, EC3M 3BD.