

Company registration no 2202362



Talbot Underwriting Ltd
Report and financial statements
31 December 2020

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Strategic report

The directors present the strategic report of Talbot Underwriting Ltd ("TUL" or "the company") for the year ended 31 December 2020.

Principal activities

The principal activity of the company is that of a Lloyd's managing agency. TUL manages the affairs of syndicate 1183 and syndicate 2019, together "the syndicates". The principal activity of syndicate 1183 continues to be the underwriting of direct and reinsurance business in the Lloyd's market. Syndicate 2019 was approved by Lloyd's on 2 May 2020 and its principal activity is to reinsure High Net Worth business from the American International Group Inc (AIG) existing US Private Client Group portfolio.

Syndicate 1183 capacity for the 2020 year of account was £650m and capacity for the 2021 year of account is £760m which is provided by a fellow group company, Talbot 2002 Underwriting Capital Ltd. Syndicate 2019 capacity for the 2020 year of account was £450m and capacity for the 2021 year of account is £500.35m of which 82.54% (2020 year of account: 97.18%) is provided by fellow AIG subsidiary PCG 2019 Corporate Member Limited and the remainder by third party Lloyd's members.

The company also acts as holding company for companies that underwrite business on behalf of syndicate 1183. During the year, Talbot Underwriting (MENA) Ltd was dissolved and surplus assets were returned to the company resulting in non-operating income of £1.8m. Further details of subsidiaries are shown in note 10 to the financial statements.

Review of business

The principal sources of revenue for the company were the managing agency fees charged to the syndicates. Fees for syndicate 1183 are based on capacity whereas syndicate 2019 is based on gross written premium. These are shown for the current and preceding year in the table below.

	2020	2019
	£	£
1183 – managing agent fees	6,500,000	6,500,000
2019 – managing agent fees	2,787,192	-
	9,287,192	6,500,000

Expenses consist primarily of a management fee charged to TUL by the service company Talbot Underwriting Services Ltd ("TUSL"). Administrative expenses were £11.2m against £8.1m in 2019 partly reflecting the operating costs of Syndicate 2019 which are borne by the company.

The profit for the financial year was £0.3m (2019: loss £1.3m).

The net asset position of the company has increased from £14.6m to £14.9m. The main asset on the balance sheet is a debtor of £10.5m due from group undertakings (2019: £12.5m due from group undertakings).

Key performance indicators

The key performance indicator for the business is the result. There are no material non-financial key performance indicators.

Strategic report (continued)

Principal risks and uncertainties

As a managing agent at Lloyd's, the principal risk to TUL arises from future cash flows in respect of income that it receives from its management of the syndicates. Income arises from fees charged to both syndicates and profit commission on the underwriting result of syndicate 1183. Managing agency fees are directly related to capacity for syndicate 1183 and gross written premium (GWP) for syndicate 2019. A reduction in the capacity due to unprofitable underwriting or reduction in capital support for the syndicates will reduce fee income to TUL as would a reduction in GWP for syndicate 2019. There is a level of uncertainty over the level of profit commission receivable by TUL as it is dependent on future results of syndicate 1183 which can vary significantly.

The principal risks and uncertainties of the syndicates are disclosed in the syndicates' report and accounts.

Credit risk

The key risk is the risk of default by the syndicates and/or one or more group companies. To mitigate this risk, balances with the syndicates and group companies are reviewed on a regular basis.

Regulatory and compliance risk

TUL is required to operate under the regulatory and compliance frameworks set by the Prudential Regulation Authority as regulator and Lloyd's as franchisor. As a managing agent, TUL is required by Lloyd's to maintain a minimum level of net assets. Regulatory and compliance risk is considered to be the inability or failure of the company to comply with UK regulatory requirements. TUL's net assets are monitored regularly to ensure that solvency requirements are met.

COVID-19

The Talbot group implemented its business continuity plans and underwriting continues under Lloyd's emergency protocols including the use of electronic placement platforms. The company has been fully operational via remote working since March 2020 and business continues, notwithstanding that the situation is ongoing and uncertain.

Syndicate 1183 has exposure to COVID-19 insurance claims arising primarily from event cancellation policies but continues to underwrite at an increased level of capacity for 2021. Therefore, the company does not expect there to be a material financial impact on its revenue, capital and liquidity. Accordingly the going concern basis of preparation continues to be appropriate, notwithstanding that the situation is ongoing and the outcome is uncertain.

Section 172 Statement

As a Board, we believe that in order to support the long-term success of Talbot Underwriting Ltd ("TUL") and deliver value to its shareholder, we must collectively consider the interests of TUL's key stakeholders. This is best achieved through proactive and effective engagement. The Board engages with TUL's community of stakeholders including: employees, the wider AIG Group (as sole shareholder), customers (consisting of insureds and brokers), regulators and the local community and environment. By understanding who are stakeholders are, engaging with them, and paying due regard to their interests when making principal decisions on behalf of TUL, the Board aims to meet the requirements of Section 172 of the UK Companies Act 2006 as communicated to the Board annually.

The Board sets a clearly defined long term strategy for success, focusing on a number of 'Strategic Must Wins'. In order to identify who TUL's stakeholders are, a mapping exercise of these Must Wins and the associated stakeholders is conducted. This exercise ensures that all stakeholders who are of strategic importance to TUL are identified and their interests considered when strategic decisions are taken. The mapping of stakeholders is set out below:

Strategic report (continued)

Section 172 Statement (continued)

Strategic Must Wins	Definition	Key Stakeholders
Organisation, People and Fundamentals	This Must Win aims to embed organisational values and the desired corporate culture.	Employees Regulators Local community and environment
Deliver value to/from AIG Group structure	This Must Win aims to deliver value across Talbot and the wider AIG Group.	AIG as sole shareholder Third party investors Customers (insured and brokers) Employees Regulators Local community and environment
Smart Follow	This Must Win aims to ensure that an optimal underwriting model is implemented.	Customers (Insureds and Brokers) Employees AIG as sole shareholder
Active Portfolio Management	This Must Win aims to optimise the portfolio for prevailing market conditions.	Customers (Insureds and Brokers) Employees AIG as sole shareholder
Customer and Distribution	This Must Win aims to engage and deliver value to our customers in a structured manner.	Customers (Insureds and Brokers) Regulators
Operational Efficiencies	This Must Win aims to optimise processes, technology, premises and people to modernise how we operate.	Employees Customers (Insureds and Brokers)

For the 2020 reporting year, the Board is satisfied that it has effectively engaged with and paid due regard to the interests of the key stakeholders outlined above, both through direct engagement and information provided by management. In the below Table 1, we set out our community of stakeholders, the manner in which their interests align with the TUL strategy and how the Board engaged with them during 2020. Table 2 sets out the principal decisions taken by the Board in 2020, the impact of these decisions on the long term strategy of the company and the stakeholders considered.

Strategic report (continued)

Section 172 Statement (continued)

Table 1:

Who: Stakeholder	Why we engage: Strategic Impact	How: Example of how the TUL Board Engaged in 2020	What: Outcomes and Actions in 2020
Our Employees	<p>TUL does not directly employ individuals, however employees in the group of Talbot companies who are employed by Talbot Underwriting Services Ltd are considered key stakeholders of TUL.</p> <p>Employees who are physically and mentally well and are committed to fulfilling TUL's strategy contribute to the long term success of the company. The Organisation, People and Fundamentals Strategic Must Win is dedicated to reinforcing organisational values, related behaviours, policies and processes so that we have clarity of purpose and our everyday actions demonstrate our values of, among other things, accountability, adaptability and drive to deliver performance targets.</p>	<ul style="list-style-type: none"> Quarterly Board reporting on Organisation, People and Fundamentals Must Win People and Learning department quarterly updates Regular reporting in 2020 on the impact of COVID-19 on employee wellbeing Employee engagement survey reporting Corporate Social Responsibility Annual report Diversity, Equity and Inclusion reporting Quarterly All-Staff Briefings, and monthly CEO Town Halls in months without Staff Briefings Informal employee sessions Q&A on various topics with Executive Directors Regular meetings of Independent Non-Executive Directors with Heads of Departments 	<ul style="list-style-type: none"> The 'Talbot Fundamentals' articulate the behaviours that support Talbot in delivering its strategy. In 2020 the Fundamentals were embedded into regular team meeting discussions and annual appraisals. An employee engagement survey was conducted and follow up actions agreed. TUL rated above the UK industry benchmark with a high level of engagement of 85%. 2020 saw an increase in employee communications via town halls, workshops and emails, with feedback sought on employee wellbeing. Employees are being supported throughout the ongoing COVID remote working period in the form of financial support, home working set up assessments, additional equipment, further flexible working to assist with family commitments, extra health and fitness resources, and additional mental health support. Promotion of Diversity, Equity and Inclusion through regular workshops with the Executive Committee.

Strategic report (continued)

Section 172 Statement (continued)

Table 1: (continued)

Who: Stakeholder	Why we engage: Strategic Impact	How: Example of how the TUL Board Engaged in 2020	What: Outcomes and Actions in 2020
AIG Group - our sole shareholder	TUL pays regard to the strategic direction and purpose of the AIG Group. TUL works with the Group to identify solutions to shared challenges and leverage core capabilities and areas of expertise to generate value within TUL and for AIG Group as sole shareholder.	<ul style="list-style-type: none"> The launch of Syndicate 2019 (S2019) was the most significant source of engagement with the wider AIG Group in 2020. The Board engaged through regular ad hoc Board meetings throughout the year to review and approve various matters related to the new syndicate. Additionally there were weekly Non-Executive Director update meetings prior to the launch. The Board received formal presentations and held discussions with senior members of management from the AIG Group to ensure that the interests of TUL were appropriately prioritised through the launch process. The Board receives quarterly reporting on the AIG value Strategic Must Win, covering all collaboration initiatives between TUL and the AIG Group. The Board receives quarterly updates on the performance and strategy of the wider AIG Group. AIG Senior Executives who serve as Non-Executive Directors on the Talbot Board ensure two way communication between the TUL Board and the shareholder AIG. 	<ul style="list-style-type: none"> Through the launch of Syndicate 2019, TUL is now the managing agent of two Lloyd's syndicates, benefitting from the additional income generated. TUL's profile within the Lloyd's and wider London insurance market has benefitted from the launch of S2019. TUL's employees have developed skills and knowledge through the launch of S2019, as well as relationships across the AIG Group including within the AIG's Private Client Group which cedes business to S2019. TUL is benefitting from greater collaboration through shared knowledge across the Group where appropriate, for example through Centres of Excellence and shared underwriting capability. Efficiencies have been realised through contract procurement. The integration of Talbot's HR process with that of AIG's was agreed in 2020, with benefits to be realised in 2021.

Strategic report (continued)

Section 172 Statement (continued)

Table 1: (continued)

Who: Stakeholder	Why we engage: Strategic Impact	How: Example of how the TUL Board Engaged in 2020	What: Outcomes and Actions in 2020
Our Customers - Brokers and Insureds	The cornerstone of TUL's purpose is to provide insurance and reinsurance for insureds. In order to do this in the most effective manner, the TUL strategy focuses on identifying, understanding and engaging with our customers in a structured manner; tailoring and distributing our products via appropriate channels, to deliver value for our insureds.	<ul style="list-style-type: none"> Quarterly Board reporting on: <ul style="list-style-type: none"> The Customer and Distribution Strategic Must Win The Active Portfolio Management strategic Must Win Conduct Risk performance 	<ul style="list-style-type: none"> The Customer Strategic Must Win delivered an engagement framework, which supports TUL in targeting the insureds to which TUL can provide the most value through improved customer relationship management. Within the Active Portfolio Management Must Win, Talbot uses advanced data and analytics tools to meet the changing needs of its customers, including engagement with an external specialist to support development of analytical tools. The Conduct Risk performance report allows the Board to monitor how 'High Conduct Risk' business performs.
Our regulators the FCA, PRA and Lloyd's	<p>TUL values its relationship with the Financial Conduct Authority and the Prudential Regulation Authority, which oversee and regulate the fair and competitive market in which TUL operates.</p> <p>TUL equally values its relationship with Lloyd's, which facilitates the syndicated insurance market in which TUL's syndicates underwrite insurance.</p>	<ul style="list-style-type: none"> The Board considers and discusses key PRA/FCA and Lloyd's areas of focus on a regular basis through reporting from senior management. The Risk and Compliance Committee receives quarterly reporting on all pertinent regulatory matters. TUL Executive Board Members meet regularly with Lloyd's and the PRA and report key issues to the Risk and Compliance Committee and Board as required. The Board reviews the Lloyd's Minimum Standards annually to ensure that TUL meets all Lloyd's requirements. Board members engage with the PRA on Senior Manager appointments and Board succession planning. 	<ul style="list-style-type: none"> TUL works with the PRA to ensure that all systemic market issues are considered and action is taken where required, and this is evidenced appropriately through clear action plans in response to regulatory communications. TUL works with Lloyd's to ensure best market practices are considered and executed. In 2020 TUL added additional resources to ensure that the new syndicate 2019 meets all regulatory and Lloyd's requirements. The Board had worked closely with the PRA to ensure stability of the Board given a number of changes at Executive level, and agreed an appropriate timeframe for succession planning for long standing Non-Executive Directors.

Strategic report (continued)

Section 172 Statement (continued)

Table 1: (continued)

Who: Stakeholder	Why we engage: Strategic Impact	How: Example of how the TUL Board Engaged in 2020	What: Outcomes and Actions in 2020
The Local Community	The local community is important to TUL's culture, where employees can share responsibility for the community and have the opportunity to give back.	<ul style="list-style-type: none"> A summary of charity initiatives are reported to the Board annually via the Annual Corporate Social Responsibility report. 	<ul style="list-style-type: none"> TUL employees drive community engagement by nominating "Talbot Charity of the Year" and which initiatives to take part in and through the Talbot Community Committee. Initiatives include community projects, reading and math support at local primary schools, mentoring for school leavers, sponsored runs, cycles, Christmas Toy appeals as well as matched funding for charity donations from Talbot employees.
The Environment	The environment is integral to Talbot's ability to operate as a company and provide insurance coverage to clients.	<ul style="list-style-type: none"> TUL's environmental footprint is reported to the Board annually via the Annual Corporate Social Responsibility report. The Board's Risk and Compliance Committee receives regular reporting on financial risks arising from climate change, including reporting from the Climate Change Working Group which is working to deliver the PRA requirements with regard to Climate Change in 2021. The Board received a training session on Climate Change in November 2020, focusing on what TUL and the wider AIG Group are doing to address financial risks arising from climate change, and environmental sustainability. 	<ul style="list-style-type: none"> The CRO, an executive Board member, is responsible for the management of financial risks arising from climate change. A working group monitors and assesses the financial risks arising from climate change which Talbot may face or is facing.

Strategic report (continued)

Section 172 Statement (continued)

Table 1: (continued)

Who: Stakeholder	Why we engage: Strategic Impact	How: Example of how the TUL Board Engaged in 2020	What: Outcomes and Actions in 2020
Third Party Investors	Third party investors provide capital to support the writing of insurance via the 2020-launched Syndicate 2019.	<ul style="list-style-type: none"> The Board received training in June 2020 on the overall structure of Syndicate 2019 from external legal counsel. This training ensured that the Board understood its duties and obligations as managing agent of Syndicate 2019 to third party investors. The Board receives copies of reporting which is provided to third party investors for marketing and performance reporting purposes. 	<ul style="list-style-type: none"> The June 2020 training session provided assurance to the Board with regard to the governance structure in place for reporting to third party investors. Third party investors are kept appropriately apprised of Syndicate 2019's performance and strategy, facilitating informed decision-making.

Strategic report (continued)

Section 172 Statement (continued)

Table 2: Principal Decisions

Principal Decision	Impact on Long-Term Success of the Company	Stakeholder Considerations
To act as managing agent of Syndicate 2019	The Board considered the proposal to act as managing agent for the new syndicate 2019, which has provided an opportunity for growth and impact Talbot's profile within the Lloyd's market.	The Board considered: <ul style="list-style-type: none"> • Employees and the resourcing requirements to launch and run S2019 • Regulators and TUL's ability to meet the relevant requirements for S2019 • Customers/brokers and TUL's ability to continue servicing existing customers while adding a new syndicate to its operations • AIG as sole shareholder, and the financial return which will be realised through the launch of S2019 • Third party investors who provide capital for S2019, and TUL's ability to meet its responsibilities as managing agent
Long term strategy: 2020-2022	The Talbot strategy was set out and agreed by the Board in September 2020, consists of a 'definition of success in 2022' within specific parameters. The definition of success will be measured by achievement of targets set.	The strategy is designed to ensure that TUL will operate successfully in the long term, while also considering the interests of these key stakeholders: <ul style="list-style-type: none"> • Customers/brokers • Employees • Regulators • AIG Group/sole shareholder
Appointment of CEO	The appointment of Chris Rash was agreed by the Board in September and considered to be in the long term interest of the company, given his skills, knowledge and experience.	The CEO is integral to the success of the company and impacts key stakeholders including: <ul style="list-style-type: none"> • Customers/brokers • Employees • Regulators • AIG Group/sole shareholder

Approved by the Board of Directors and signed by order of the Board.

CE Barton



Director

20 May 2021

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2020. The results and principal risks and uncertainties are discussed in the strategic report.

Future developments

The managed syndicates' capacities for the 2021 year of account is £1,260.35m. The managing agent fee is increasing to 1% for syndicate 2019. The directors are confident of the future prospects of the company as the syndicates are expected to continue to operate as going concerns.

Dividend

The company did not pay any dividend during the year (2019: nil). The directors do not propose a final dividend for the year (2019: nil).

Corporate governance

TUL Board

The TUL Board is responsible for the overall management and direction of the business and affairs of TUL. This includes responsibility for TUL's long term strategy for success, and determining the high level objectives and the policy governing the conduct of TUL's business. The TUL Board comprises executive directors and non-executive directors (including an independent non-executive director Chair, two non-executive shareholder representatives, one non-executive director and three independent non-executive directors 'INED').

The non-executive directors: (i) participate in the collective decision making and collective responsibilities of the Board; ii) challenge the executive directors constructively on their recommendations and running of the business; (iii) review the performance of management in meeting agreed objectives and targets and monitor the reporting of performance; and (iv) satisfy themselves that financial controls and systems of risk management are adequate.

TUL Audit Committee

The TUL Audit Committee is made up of six non-executive directors and is attended by various executive directors and members of management. The purpose of the Audit Committee is, with input from external auditors, internal audit and external actuaries, to review and to report to the board on the control infrastructure and financial reporting of TUL and the syndicate. The Audit Committee is responsible for ensuring that adequate systems of internal control are in place so that the organisation is able to manage and run its affairs. In addition, the committee is responsible for recommending the approval of the annual report and financial statements to the board.

TUL Risk and Compliance Committee

The TUL Risk and Compliance Committee is made up of six non-executive directors and is attended by various executive directors and members of management. The purpose of the Risk and Compliance Committee is to oversee the risk management process and framework, to review issues of policy and to drive the risk culture at TUL. The Risk Committee monitors the conduct and co-ordination of risk management activities across the company and the syndicate on behalf of the TUL Board, including the identification of key business risks and material changes to the business environment.

TUL Underwriting Committee

The TUL Underwriting Committee is made up of seven non-executive directors and is attended by various executive directors and members of management. The purpose of the Underwriting Committee is to review the underwriting activities of TUL and the syndicates which it manages, ensuring these activities are conducted in such a way as to meet the objectives of the business in accordance with the syndicates' strategy and business plans.

TUL Remuneration Committee

The TUL Remuneration Committee is made up of six non-executive directors and is attended by the Chief Executive Officer. The purpose of the Remuneration Committee is to ensure that the remuneration policies which impact TUL are consistent with sound risk management and do not expose TUL or the syndicates to excessive risk.

Directors' report (continued)

TUL Nominations Committee

The TUL Nominations Committee is made up of five non-executive directors. The purpose of the Nominations Committee is to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, with consideration given to the succession planning of senior management and the length of service of the Board as a whole.

Corporate Governance Disclosures regarding Wates Principles

- 1. Purpose and Leadership:** As per the Corporate Governance section within the Directors report, the Board sets out a clear long term strategy and purpose for the Company and regularly monitors progress towards the Company's strategic goals. The Board considers the impact of this strategy on each key stakeholder group, as outlined in detail in the Section 172 statement.
- 2. Board Composition:** As per the Corporate Governance section, the Board consists of both executive and non-executive directors, with a majority of non-executive directors. The duties of the Board are executed partially through Board Committees, as outlined in the Corporate Governance Report. The INEDs chair the Board Committees, other than the Remuneration Committee which is chaired by a NED, so that they are able to challenge and influence a broad range of areas across the Company. The current INEDs possess a broad range of experience including finance, underwriting, distribution and law.

The Board maintains a skills, experience and expertise matrix which is updated annually, with new skills added where they are relevant to the realisation of the company strategy and the interests of stakeholders. Directors update their skills, knowledge and familiarity with the Company by meeting regularly with senior management, through external training courses and specific Board-training sessions which are coordinated by the Chair and Company Secretary. There is an induction process for all new independent directors, which is tailored for specific individuals. The Board conducts an effectiveness review on an annual basis, with an independent review conducted in Q4 2020. The findings will be reported in Q1 2021.

- 3. Director Responsibilities:** A statement of directors' responsibilities with regard to financial statements under company law is found in the Directors' Report. In addition to these responsibilities, the Board maintains a Terms of Reference document outlining the duties of the Board, a fundamental duty being to set the strategic aims and risk appetite of the Company. The Board delegates authority for day-to-day management of the Company to the Chief Executive Officer (CEO), who chairs the Executive Committee which meets formally on a monthly basis and informally on a weekly basis and is responsible for supporting the CEO in execution of the Board-set strategy. The Executive Committee membership consists of leaders of each business area.
- 4. Opportunity and Risk:** A statement of principal risks and uncertainties is provided in the Strategic Report. As outlined in the Corporate Governance section within the Directors report, the Risk and Compliance Committee monitors the Company risk management framework and receives a quarterly report on management risks and emerging risks.

In order to promote the long term sustainability of the company, strategic opportunities are reviewed by the Board and specific objectives set by the Board. The key strategic objectives and the impacted stakeholders are outlined in the S172 statement.

- 5. Remuneration:** As per the Corporate Governance section, the Remuneration Committee ensures that remuneration policies are consistent with sound risk management and do not expose the company to excessive risk. The Remuneration Committee is responsible for ensuring that the remuneration policy of the Company complies with Solvency II and other applicable regulations.
- 6. Stakeholder Relationships and Engagement:** As per the Section 172 Statement, Talbot has identified a range of key stakeholders, each of whom is integral to the long term objectives of the Company. The Section 172 Statement outlines how the Board engages with each of these stakeholders and the outcomes of this engagement contribute to the delivery of the long term objectives of the Company.

Directors' report (continued)

Professional indemnity insurance

Talbot purchases professional indemnity insurance protecting the company and all past, present and future directors and employees of the company in respect of errors and omissions and negligent acts. This was in force during the financial year and also at the date of approval of the financial statements.

Directors and officers

The following directors have held office from 1 January 2020 to the date of this report.

CE Barton	(Appointed 21 October 2020)
DJ Batchelor	(Non-executive, appointed Chairman 7 January 2021)
RE Bean	(Appointed 14 May 2021)
TA Bolt	(Non-executive)
NMA Burch	(Non-executive)
MEA Carpenter	(Non-executive)
JL Hancock	(Non-executive Director, appointed 7 December 2020)
BJ Hurst-Bannister	(Non-executive, resigned as Acting Chairman 7 January 2021)
DE Morris	(Acting Chief Executive, resigned 8 February 2021)
C Rash	(Chief Executive, appointed 8 February 2021)
JG Ross	
M Scales	(Non-executive)
JE Skinner	(Resigned 17 July 2020)
ND Wachman	(Resigned 16 September 2020)

Directors' report (continued)

Statement of directors' responsibilities

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, the directors have prepared the financial statements, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Standard Applicable in the UK and Republic of Ireland" ("FRS 102").

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on a 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.

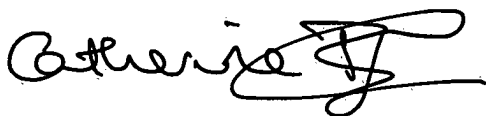
Disclosure of information to auditors

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 auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. The company has an elective resolution in place under s485 of the Companies Act 2006 to dispense with the obligation to appoint the auditors annually.

Approved by the Board of Directors and signed by order of the Board.



CE Barton

Director

20 May 2021

Independent auditors' report to the members of Talbot Underwriting Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Talbot Underwriting Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the Profit and loss account and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Talbot Underwriting Ltd (continued)

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of directors' responsibilities, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also 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.

In preparing the financial statements, the members are responsible for 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 the members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk of management override of controls. Audit procedures performed by the engagement team included:

- Discussion with the Board, management, compliance function and Internal Audit Group, including confirming there are no known or suspected frauds or non-compliance with laws and regulations;
- Assessment of matters reported on the whistleblowing helpline and the results of management's investigation of such matters;
- Reviewing relevant meeting minutes, including those of the Board, Risk & Compliance Committee and the Audit Committee, and correspondence with regulatory authorities, including Lloyd's of London, The Prudential Regulatory Authority and The Financial Conduct Authority;
- Identification and testing of journal entries identified as potential indicators of fraud, particularly backdated journal entries, those with unusual account combinations or duplicate journals & reversals; and
- Designing audit procedures to incorporate unpredictability around the nature, timing & extent of testing.

Independent auditors' report to the members of Talbot Underwriting Ltd (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Paul Pannell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 May 2021

Profit and loss account

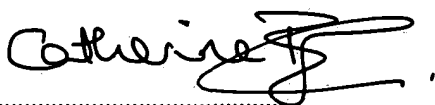
	Note	For the year ended 31 December	
		2020	2019
		£	£
Turnover	4	9,287,192	6,500,000
Administrative expenses		(11,197,807)	(8,140,784)
Operating loss		(1,910,615)	(1,640,784)
Income from distribution in group undertakings	5	1,834,727	-
Loss before tax	6	(75,888)	(1,640,784)
Tax on loss	9	367,082	290,922
Profit / (Loss) for the financial year		291,194	(1,349,862)

Balance sheet

		As at 31 December	
	Note	2020 £	2019 £
Fixed assets			
Investments	10	226,135	992,423
Current assets			
Debtors	11	13,940,814	13,924,146
Deferred tax asset	12	1,120,864	-
		15,061,678	13,924,146
Creditors - amounts falling due within one year	13	(349,700)	(269,650)
Net current assets		14,711,978	13,654,496
Net assets		14,938,113	14,646,919
Capital and reserves			
Called up share capital	14	400,000	400,000
Retained earnings		14,538,113	14,246,919
Total equity		14,938,113	14,646,919

The notes on pages 20 to 25 are an integral part of these financial statements.

The financial statements on pages 17 to 25 were approved by the Board of Directors on 20 May 2021 and were signed on its behalf.



CE Barton

Director

Company registration no: 2202362

Statement of changes in equity

	Called-up share capital £	Retained earnings £	Total £
Balance at 1 January 2019	400,000	15,596,781	15,996,781
Loss for the financial year	-	(1,349,862)	(1,349,862)
Balance at 31 December 2019	400,000	14,246,919	14,646,919
Profit for the financial year	-	291,194	291,194
Balance at 31 December 2020	400,000	14,538,113	14,938,113

Notes to the financial statements

Year ended 31 December 2020

1 General information

Talbot Underwriting Ltd, registered number 2202362, is a private company limited by shares. The company is a Lloyd's managing agency and manages the affairs of Lloyd's syndicates 1183 and 2019.

The company also acts as holding company for companies that underwrite business on behalf of syndicate 1183. Further details are shown in note 10 to the financial statements.

The company is incorporated and registered in England and Wales. The address of its registered office is 60 Threadneedle Street, London EC2R 8HP.

2 Statement of compliance

The financial statements of TUL have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 ("the Act"), under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Act and applicable accounting standards in the United Kingdom, including FRS 102.

(b) Exemptions for qualifying entities under the Act and FRS 102

Under s401 of the Act the company is exempt from preparing consolidated financial statements on the basis that the ultimate parent undertaking, American International Group Inc ("AIG"), prepares consolidated financial statements.

The company has taken advantage of the exemption under FRS 102 Section 7, paragraph 3.17(d), from preparing a statement of cash flows on the basis that it is a qualifying entity and its ultimate parent company, AIG, includes the company's cash flows in its own consolidated financial statements.

(c) Foreign currency

(i) *Functional and presentation currency*

The company's functional and presentational currency is sterling.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using either the spot exchange rate at the date of the transaction or the average rate for the period.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue consists of managing agency fees from the insurance underwriting activities of the syndicates. Managing agency fees are recognised during the first twelve months of the underwriting year.

Profit commission ("PC") is expected to arise on closure of a Lloyd's year of account, and is recognised on an accruals basis subject to an assessment of certainty over the year of account's profitability. PC on a year of account is recognised initially at 24 months when the year of account result can be forecast with reasonable certainty. At this point only 50% of the expected ultimate PC is recognised to allow for future factors that may potentially affect the year of account result. The remaining PC is recognised over the following twelve months as these factors diminish.

Dividends due from subsidiary companies are recognised as income once the dividend has been approved by the board of the subsidiary company.

(e) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity. In this case, tax is also recognised directly in equity.

Current or deferred tax assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted in the period.

ii) Deferred tax

Deferred tax arises from timing differences between taxable profits and total income as stated in the financial statements. These timing differences 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.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(f) Investments

Investments in subsidiary companies are included at cost unless the value of net assets for a subsidiary is lower than its cost value. In this case, the difference between cost and net asset value is written off to the profit and loss account as an impairment of investment.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(g) Financial instruments

The company has chosen to adopt the recognition, measurement and disclosure requirements of FRS 102 sections 11 and 12.

Financial Assets

Basic financial assets, including amounts due from group undertakings are initially recognised at transaction price and subsequently carried at amortised cost.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when: (a) the contractual rights to the cash flows from the asset expire or are settled; (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) control of the asset has been transferred to another party.

Financial Liabilities

Basic financial liabilities, including amounts due to group undertakings, are initially recognised at transaction price and subsequently measured at amortised cost.

Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or expires.

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(i) Distributions to equity holders

Dividends and other distributions to the company's shareholder are recognised in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholder. These amounts are recognised in the statement of changes in equity.

4. Turnover

	2020	2019
	£	£
Syndicate 1183 – managing agent fees	6,500,000	6,500,000
Syndicate 2019 – managing agent fees	2,787,192	-
	9,287,192	6,500,000

All income arises in the United Kingdom.

There was no profit commission in 2020 (2019: nil).

5. Income from distribution in group undertakings

	2020	2019
	£	£
Distribution received from subsidiary	1,834,727	-

On 28 September 2020 Talbot Underwriting (MENA) Ltd was dissolved and the surplus assets were distributed to the company.

Notes to the financial statements (continued)

6. Loss before tax

Loss before tax is stated after management charges of £11,197,807 (2019: £8,140,784).

7. Audit and non-audit fees

The audit fees for TUL are borne by Talbot Underwriting Services Ltd ("TUSL"), a fellow group company, and are recharged to the company as part of the management charge. During the year, TUSL incurred £25,000 (2019: £24,570) in respect of audit fees to TUL's auditors and associates. There are no non-audit fees in 2020 (2019: £nil).

8. Employees and Directors

The company has no employees (2019: none). All members of staff are employed by TUSL, which pays all their remuneration. No emoluments were paid to directors of the company in respect of their services as directors of the company (2019: none).

9. Tax on loss

(a) Tax credit included in loss

	2020	2019
	£	£
Current tax		
UK corporation tax on loss for the year	(363,017)	(311,749)
Adjustment in respect of previous years	(4,065)	20,827
Tax on loss	(367,082)	(290,922)

(b) Reconciliation of tax credit

The tax credit for the year is higher (2019: lower) than the standard effective rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
Loss before taxation	(75,888)	(1,640,784)
Loss multiplied by 19% (2019: 19%)	(14,419)	(311,749)
Effects of:		
Income not subject to tax	(348,598)	-
Adjustment in respect of previous years	(4,065)	20,827
Tax credit for the year	(367,082)	(290,922)

(c) Tax rate changes

The tax rate for the current year is the same as the prior year.

Notes to the financial statements (continued)

10. Investments

The company has three wholly owned subsidiary companies and one that is 99% owned.

Subsidiary companies underwriting as coverholders on behalf of syndicate 1183:

Subsidiary	Country of incorporation	Registered office	Interest (all direct)
Talbot Risk Services Pte Ltd ("Talbot Asia")	Singapore	AlG Building #11-16, 78 Shenton Way, Singapore 079120	100% ordinary shares
Talbot Underwriting Risk Services Ltd ("TURSL")	England and Wales	60 Threadneedle Street, London EC2R 8HP, UK	100% ordinary shares

Subsidiary companies that have ceased underwriting as coverholders on behalf of the syndicate:

Subsidiary	Country of incorporation	Registered office	Interest (all direct)
Talbot Risk Services (Labuan) Pte. Ltd ("Talbot Labuan")	Malaysia	Brighton Place, Ground Floor, U0215 Jalan Bahasa, PO Box 80431, 87014 Labuan FT, Malaysia	100% ordinary shares
Talbot Underwriting (LATAM) S.A ("Talbot Chile")	Chile	Avenida Apoquindo No.3650 Piso 8 Oficina 803, Las Condes, Santiago, Chile	99% ordinary shares

Talbot Underwriting (MENA) Ltd has been dissolved and ceased to exist as a Dubai International Financial Centre (DFIC) entity from 28 September 2020. Net assets of £2.6m were returned to the company and accounted for as a return of investment of £0.8m and a distribution from subsidiary of £1.8m (note 5).

Talbot Risk Services (Labuan) Pte Ltd is in voluntary liquidation and this process is expected to conclude during 2021.

Value of investments at the end of each year

	Talbot Asia £	Talbot MENA £	Talbot Chile £	TURSL £	Total £
31 December 2020	200,000	-	1,135	25,000	226,135
31 December 2019	200,000	766,288	1,135	25,000	992,423

11. Debtors

	2020 £	2019 £
Amounts owed by managed syndicates	2,787,192	-
Amounts owed by group undertakings	10,790,605	12,491,533
Corporation tax recoverable	363,017	1,432,613
	13,940,814	13,924,146

Amounts owed by group undertakings and the managed syndicates, subject to Lloyd's distribution rules, are unsecured, interest free, have no fixed date of payment and are repayable on demand.

Notes to the financial statements (continued)

12. Deferred tax asset

	2020	2019
	£	£
Deferred tax asset in respect of losses carried forward	1,120,864	-
Deferred tax asset at beginning of year	-	-
Reclassification from current to deferred	1,120,864	-
Deferred tax (charge) credit for the year	-	-
	1,120,864	-

The deferred tax asset is recoverable after more than one year.

13. Creditors – amounts falling due within one year

	2020	2019
	£	£
Amounts owed to group undertakings	-	125,000
Amounts owed to managed syndicates	349,700	144,650
	349,700	269,650

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14. Called up share capital

Ordinary shares of £1 each

	2020	2020
	No.	£
Authorised, allotted and fully paid		
At 1 January and 31 December	400,000	400,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

15. Controlling parties

The company is a subsidiary undertaking of Talbot Underwriting Holdings Ltd, a company incorporated and registered in England and Wales. The registered office is 60 Threadneedle Street, London, EC2R 8HP.

The ultimate parent company and controlling party is American International Group Inc ("AIG"), a company registered in the United States. The registered office is 175 Water Street, New York, NY10038.

16. Related party transactions

Under FRS 102 the company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the group.