Company registration no 2202362

Talbot Underwriting Ltd

Report and financial statements

31 December 2021

Contents

Strategic report

The directors present the strategic report of Talbot Underwriting Ltd ("the company") for the year ended 31 December 2021.

Principal activities

The principal activity of the company is that of a Lloyd's managing agency. The company 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. The principal activity of syndicate 2019 continues to be the underwriting of a proportional quota share reinsurance contract covering high net worth (HNW) personal lines insurance business underwritten by American International Group Inc (AIG) companies, as part of its Private Clients Group (PCG): the PCG HNW portfolio. The company also acts as holding company for companies that underwrite business on behalf of syndicate 1183.

Review of business

The principal sources of turnover for the company were the managing agency fees receivable for provision of services to the syndicates. These are shown for the current and preceding year in the table below.

	2021	2020
	£	£
Syndicate 1183 – managing agent fees	8,000,000	6,500,000
Syndicate 2019 – managing agent fees	5,750,786	2,787,192
Syndicate 1183 – profit commission	310,380	-
Total turnover	**14,061,166**	**9,287,192**

The profit for the financial year was £3.6m (2020: profit £0.3m). The improvement in profit was driven mainly by the increase in turnover. This is due to an increase in managing agency fees, resulting from an increase in the syndicate 2019 fee to 1% of gross premiums written (2020: 0.5%) and increased underwriting capacity and gross premiums written for the syndicates, upon which the fees are based.

Expenses consist primarily of a management fee charged to the company by the service company, Talbot Underwriting Services Ltd ("TUSL"). Administrative expenses were £9.6m (2020: £11.2m).

The net asset position of the company has increased from £14.9m to £18.6m. The main asset on the balance sheet is a debtor of £13.5m due from group undertakings (2020: £10.8m 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.

Principal risks and uncertainties

The Company manages the syndicates in return for a managing agency fee. Therefore, the principal risk to the company 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 variable profit commission on the underwriting result of the syndicates. Managing agency fees are directly related to capacity for syndicate 1183 and gross premiums written for syndicate 2019. A reduction in the capacity or gross premiums written will reduce the fee income to the company. Therefore, there is a risk to the company that the future expenses exceed the fee income. The company manages the risk of any potential future reductions in income levels resulting in expenses exceeding fee income by regularly reviewing fee arrangements, budgeting and forecasting, monitoring actual performance and taking action to reduce costs, where appropriate.

The company is required to operate under the regulatory and compliance frameworks set by the Prudential Regulation Authority as regulator and Lloyd's as franchisor. Regulatory and compliance risk is considered to be the inability or failure of the company to comply with UK regulatory requirements. This risk is mitigated by the existence of appropriate internal controls and management and governance structures that are sufficient to manage the company. As a managing agent, the company is required by Lloyd's to meet the qualifying net asset solvency requirements set by Lloyd's for Managing Agents. The company's net assets are monitored regularly to ensure that solvency requirements are met.

Information on the management of financial and operational risks of the company are disclosed in note 3 to the financial statements.

Environmental Responsibilities and Climate Risks

The company acknowledges its environmental responsibilities and the impact that climate change has on the business and the syndicates it manages and remains committed to playing a role in addressing these challenges.

Leadership by the company's Board (the Board) and Executive Committee towards climate change is central to the company's approach. The Executive Committee has established a Climate Change Working Group to oversee the development and execution of the company's climate strategy. This Group includes Senior Management Function and cross functional representatives.

The company continues to assess and understand its impact as a company and as a business on the climate. The company internally monitors its carbon footprint and emissions, with the use of third party experts to help assess this. The company will also continue to consider the risks, industries and businesses the syndicates insure as well as the nature of the investments the syndicates hold. The company is committed to continuously improving and evolving its approach to climate risk as well as the disclosures and metrics presented in this area in the future.

Further information of the climate change risks and environmental strategies are disclosed in the respective syndicates report and accounts.

Section 172 Statement

As a Board, we believe that in order to support the long-term success of Talbot Underwriting Ltd ("the company") and deliver value to its shareholder, we must collectively consider the interests of the company's key stakeholders. This is best achieved through proactive and effective engagement. The Board engages with the company's community of stakeholders including:

1. Employees;
2. The AIG Group (as sole shareholder);
3. Customers (consisting of insureds and brokers);
4. Suppliers (including claims related service providers and reinsurers);
5. Regulators;
6. Third party investors;
7. The local community and;
8. The environment (defined as the natural world which encompasses all living and non-living things occurring naturally.)

By understanding who the company's stakeholders are, engaging with them, and paying due regard to their interests when making principal decisions on behalf of the company, the Board aims to meet the requirements of Section 172 of the UK Companies Act 2006.

The Board sets a clearly defined long term strategy for success, focusing on a number of 'Strategic Must Win Battles'. In order to identify who the company'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 the company are identified and their interests considered when strategic decisions are taken. The mapping of stakeholders is set out below:

	Diverse Talent & High Performance	AIG Alignment	Data-Driven Portfolio Management	Customer Engagement	Digital Distribution	Operational & Cost Efficiency
Employees	Y	Y	Y			Y
AIG as sole shareholder		Y	Y	Y		
Customers		Y	Y	Y	Y	Y
Suppliers		Y	Y	Y	Y	Y
Regulators	Y	Y				
Third Party Investors		Y				
The Local Community	Y					
The Environment				Y		Y

For the 2021 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 company strategy and how the Board engaged with them during 2021. Table 2 sets out the principal decisions taken by the Board in 2021, the impact of these decisions on the long term strategy of the company and the stakeholders considered.

Section 172 Statement (continued)

Table 1:

Why we engage - Strategic Impact	**How the company's Board Engaged in 2021**	**What - Outcomes and Actions in 2021**
Who/Stakeholder: Our Employees		
The company does not directly employ individuals, however employees of Talbot Underwriting Services Ltd who provide services to the company are considered key stakeholders. Supporting employees to develop a strong sense of wellbeing is part of the overall drive to fulfil the company's strategy and contribute to the long term success of the company. The Diverse Talent & High Performance Must Win Battle aims to embed organisational values, related behaviours, policies and processes to drive accountability, adaptability and delivery of performance targets. In addition, the company focuses on career development which is aimed at boosting morale, self-worth and ultimately well-being.	• Quarterly Board discussions on strategy, including the relevant Must Win Battles • Learning & Development department quarterly updates • Diversity, Equity and Inclusion reporting • Culture review reporting • Quarterly All-Staff Briefings • Regular meetings of Independent Non-Executive Directors with Heads of Departments • Following feedback from the 2020 Board Effectiveness Review, the Board updated the remit of the Remuneration Committee to the 'People and Remuneration Committee' which meets quarterly and reviews 'people-related matters' such as talent development, succession planning etc.	• The 'Talbot Fundamentals' articulate the behaviours that support the company in delivering its strategy. In 2021 the Fundamentals were further embedded into regular employee communications and annual appraisals. • A Culture review was conducted and follow up actions agreed. • Employees are being supported throughout the ongoing COVID remote working period, the start of the return to office and 'hybrid working' model. • Promotion of Diversity, Equity and Inclusion through regular workshops with a small number of employees and specific Executive Committee members. • The Independent Non-Executive Directors joined a 'reverse-mentoring' scheme, in order to increase engagement with the workforce.

Section 172 Statement (continued)

Table 1: (continued)

Why we engage - Strategic Impact	How the company's Board Engaged in 2021	What - Outcomes and Actions in 2021
Who/Stakeholder: AIG Group – Our Sole Shareholder		
The company pays regard to the strategic direction and purpose of the AIG Group. The company works with AIG to identify solutions to shared challenges and leverage core capabilities and areas of expertise to generate value within the company and for AIG Group as sole shareholder.	• The Board worked closely with management in setting the company's strategy, which aligns with the AIG strategy. • The Board agreed to the integration of the Talbot HR processes with those of the AIG Group. • The operationalisation of syndicate 2019 was a significant source of engagement with the wider AIG Group in 2021, following its launch in 2020. The Board engaged through Board meetings throughout the year to monitor the ongoing progress to embed the syndicate into the business as usual operations of the company. • AIG Senior Executives who serve as Non-Executive Directors ensure two way communication between the Board and the shareholder AIG.	• The company's strategy is clearly articulated to its employees and key stakeholders. • Benefits and efficiencies have been realised through the integration of Talbot and AIG's HR department. • The company's employees have developed skills and knowledge through the embedding of syndicate 2019, as well as relationships across the AIG Group. • The company benefits from greater collaboration for examples through Centres of Excellence and shared underwriting capability.
Who/Stakeholder: Customers – Brokers and Insureds		
The company's strategy focuses on identifying, understanding and engaging with the syndicates customers in a structured manner; tailoring and distributing our products via appropriate channels, to deliver value for our insureds.	• Quarterly reporting on the company's strategic initiatives from the CEO. • Quarterly reporting on the company's Conduct Risk performance	• The Board sets the company strategy, which includes a focus on Customer Engagement and Digital Distribution. • Customer engagement works closely with brokers and insureds to meet their needs with appropriate products and services. • Digital Distribution provides insureds with high quality service via digital platforms. • The company works with the syndicates customers in order to meet the Lloyd's Environment, Social and Governance guidelines.

Section 172 Statement (continued)

Table 1: (continued)

Why we engage - Strategic Impact	How the company's Board Engaged in 2021	What - Outcomes and Actions in 2021
Who/Stakeholder: Suppliers (including claims related service providers and reinsurers)		
The company works to ensure that it builds and maintains strong relationships with, amongst others, claims service providers and reinsurers. Both are deemed to be critical to the performance of the company and therefore its ability to serve its customers and to operate as a going concern.	• The Board (via the Underwriting Committee) receives regular updates from the Head of Claims, including the monitoring of key claims performance data. • The Board also receives regular updates (via the Underwriting Committee) on the performance of the reinsurance programme. • The teams of both departments carry out research and analysis to ensure that services are appropriate and are delivered by reputable companies.	• The Board conducted a review of key third party suppliers in 2021, as part of the Operational Resilience PRA requirements and identified the key suppliers. • The Board ensures it maintains good relationships with these suppliers, through regular management reporting on engagement and performance of suppliers.
Who/Stakeholder: Regulators the FCA, PRA and Lloyd's		
The company values its relationship with all regulators and specifically the Prudential Regulation Authority with whom it has the most contact and which oversees and regulates the fair and competitive market in which the company operates. The company equally values its relationship with Lloyd's, which facilitates the syndicated insurance market in which the company's syndicates underwrite insurance.	• 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. • The company's 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. • Board members engage with the PRA on Senior Manager appointments and Board succession planning.	• The company works with the PRA to ensure that all systemic market issues are considered and action is taken where required. • The company works with Lloyd's to ensure best market practices are considered and executed. • The Board worked closely with the PRA to ensure stability of the Board given a number of changes to the Board over the last 18 months.

Strategic report (continued)

Section 172 Statement (continued)

Table 1: (continued)

Why we engage - Strategic Impact	How the company's Board Engaged in 2021	What - Outcomes and Actions in 2021
Who/Stakeholder: The Local Community		
The local community is important to the company's culture. Employees, through various initiatives, can share responsibility for the community and have the opportunity to give back.	• A summary of charity initiatives are reported to the Board annually via the Annual Charity report and the Board is actively engaged in initiatives throughout the remainder of the year.	• The company's 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 school age students and school leavers, sponsored runs, cycles, Christmas Toy appeals as well as matched funding for charity donations from Talbot employees.
Who/Stakeholder: The Environment		
The company acknowledges its environmental responsibilities and the impact that climate change has on the business and the syndicates and remains committed to playing a role in addressing these challenges.	• The Board and its sub-committee, the Risk and Compliance Committee received updates on financial risks arising from climate change. • The company also recognises that there are operational risks and assesses the risks and opportunities associated with the physical impacts of climate change, including individual facilities and office locations. • The Board received a training session on Environment, Social and Governance (ESG) matters in 2021, primarily focusing on what TUL and the wider AIG Group are doing to address environmental sustainability. • The Board agreed to adopt and implement the ESG guidelines set by Lloyd's.	• The CRO, an executive Board member, is responsible for the management of risks arising from climate change. • A working group monitors and assesses the risks arising from climate change which the company may face or is facing. • An ESG Committee monitors the ESG activities of the company and reports annually to the Board.
Who/Stakeholder: Third Party Investors		
Third party investors provide capital to support the writing of insurance via Syndicate 2019.	• The Board received an updated report in November 2021 on its duties and obligations as managing agent of Syndicate 2019 to third party investors. • In addition, the Board typically receives copies of reporting which is provided to third party investors for marketing and performance reporting purposes.	• Third party investors are kept appropriately apprised of Syndicate 2019's performance and strategy, facilitating informed decision-making.

Section 172 Statement (continued)

Table 2: Principle Decisions

Principal Decision	**Impact on Long-Term Success of the Company**	**Stakeholder Considerations**
Long term strategy: 2021-2023	The company's strategy was set out and agreed by the Board in September 2021, and consists of a 'definition of success in 2023' within specific boundaries. The definition of success will be measured by achievement of targets set.	The strategy is designed to ensure that the company will operate successfully in the long term, while also considering the interests of these key stakeholders: • Customers/brokers • Employees • Regulators • AIG Group/sole shareholder • Suppliers • Local community • Environment • Third party capital providers
Continue to act as managing agent for the syndicates.	The respective corporate members approved the decision to participate on the 2022 year of account for the syndicates, allowing the syndicates to operate for the 2022 year and to write the 2022 business plan.	This decision takes into account the syndicates and the company as managing agent, as it allows them to operate for the 2022 year.
Appointment of Directors	The appointment of the following directors was agreed by the Board in 2021: • Richard Cowling, Chief Financial Officer • Katherine Coates, Independent Non-Executive Director and Chair of Risk and Compliance Committee These appointments were considered to be in the long term interest of the company, given the individuals' skills, knowledge and experience.	The Board is integral to the success of the company and impacts key stakeholders including: • Customers/brokers • Employees • Regulators • AIG Group/sole Shareholder

Approved by the Board of Directors and signed on behalf of the Board.
Chris Rash

Director
12 May 2022

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Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2021. The results and principal risks and uncertainties are discussed in the strategic report.

Future developments

During 2021, the underwriting capacity for the 2022 underwriting year of account was agreed with Lloyd's to be £870m (2021: £800m and 2020: £650m) for syndicate 1183 and £498.2m (2021: £500.4m and 2020: £450m) for syndicate 2019. The underwriting capacity for syndicate 1183 is provided by a fellow group company, Talbot 2002 Underwriting Capital Ltd. The majority of underwriting capacity for syndicate 2019 is provided by fellow AIG subsidiary PCG 2019 Corporate Member Limited, (82.58% for 2022 year of account, 82.55% for 2021 year of account and 97.18% for 2020 year of account) and the remainder by third party Lloyd's members. The combined capacity for the two managed syndicates for the 2022 year of account is £1,368.2m (2021: £1,300.4m and 2020: £1,087.3m).

The current economic and political uncertainty arising from the Russian invasion of Ukraine on 24 February 2022 is not expected to materially impact the ability of the syndicates to continue to underwrite business in the Lloyd's market. As such, the company does not expect that this event will impact the ongoing receipt of managing agency fees for its services to the syndicates.

The capital resources for the 2022 underwriting year of account for syndicate 1183 are entirely provided by AIG Group. The AIG group provides 82.58% of the capital supporting syndicate 2019 for the 2022 underwriting year of account. The company understands it is AIG's intention to continue to support the syndicates and use the company as a Managing Agency at Lloyd's and therefore the directors believe it reasonable to expect that the company will continue as a going concern.

Dividend

The company did not pay any dividend during the year (2020: nil). The directors do not propose a final dividend for the year (2020: nil).

Corporate governance

The Board is responsible for the overall management and direction of the business and affairs of the company. This includes responsibility for the company's long term strategy for success, and determining the high level objectives and the policy governing the conduct of the company's business. The company 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 'INEDs').

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.

The 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 the company and its managed syndicates. 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.

The 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 the company. The Risk and Compliance Committee monitors the conduct and co-ordination of risk management activities across the company and its managed syndicates on behalf of the Board, including the identification of key business risks and material changes to the business environment.

Directors' report (continued)

Corporate governance (continued)

The 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 the company 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.

The People and Remuneration Committee is made up of six non-executive directors and is attended by the Chief Executive Officer and the Human Resources Director. The Chief Risk Officer reports to this Committee on an annual basis. The purpose of the People and Remuneration Committee is to ensure that appropriate policies are set as regards human resourcing matters, including but not limited to; Diversity, Equity and Inclusion, Succession Planning, Talent Development and Organisational Culture. The People and Remuneration Committee also ensures that Talbot group remuneration policies which impact the syndicate are consistent with sound risk management and do not expose the syndicate to excessive risk.

Corporate Governance Disclosures regarding Wates Principles

The Board addresses each of the principles in its governance practices as follows:

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 above, the Board consists of both executive and non-executive directors, with a majority of non-executive directors, and the duties of the Board are executed partially through Board Committees. The INEDs chair the Board Committees, other than the People and 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 and law and the most recent appointments bring a diversity of skills and experience to the Board that further enhances and deepens the overall competence of the Board. 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 directors, which is tailored for specific individuals. The Board conducts an effectiveness review on an annual basis in Q4. The last independent review conducted was Q4 2020, and an internal review was conducted in Q4 2021. The findings are reported to and considered by the Board in Q1 annually. Actions arising are tracked and monitored throughout the year.

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.

Directors' report (continued)

Corporate Governance Disclosures regarding Wates Principles (continued)

5. **Remuneration:** As per the Corporate Governance section, the People and 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, the company 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.

Professional indemnity insurance

The company 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 directors of the Managing Agent during the period from 1 January 2021 to the date of this report are as follows:

DJ Batchelor	(Non-executive, appointed as Chair 7 January 2021)
RE Bean	(Chief Underwriting Officer, appointed 14 May 2021)
TA Bolt	(Non-executive, shareholder representative)
MEA Carpenter	(Non-executive)
KA Coates	(Non-executive, appointed 12 November 2021)
RD Cowling	(Chief Financial Officer, appointed 26 April 2022)
JL Hancock	(Non-executive, shareholder representative)
BJ Hurst-Bannister	(Non-executive, resigned as Acting Chair 7 January 2021)
CJR Rash	(Chief Executive, appointed 8 February 2021)
JG Ross	(Chief Risk Officer)
M Scales	(Non-executive)

Former directors who served during 2021 were as follows:

CE Barton	(Chief Financial Officer, resigned 31 August 2021)
NMA Burch	(Non-executive, resigned 12 November 2021)
DE Morris	(Acting Chief Executive, resigned 8 February 2021)

Company Secretary

M-C Gallagher

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 on behalf of the Board.

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Chris Rash

Director

12 May 2022

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 2021 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 2021; 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 directors' 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 directors 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 directors 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 2021 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 directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors 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 directors 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 directors 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 directors 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 those regulations set by the Council of Lloyd's, 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:

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

- Discussion with the Board, management, the compliance function and internal audit, 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 Audit Committee, and correspondence with regulatory authorities, including the Council of Lloyd's, the Prudential Regulation 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, duplicate journals and reversals, or journals posted by employees who have left the entity; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of testing.

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 directors' 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
12 May 2022

Profit and loss account

		For the year ended 31 December	
		2021	2020
	Note	£	£
Turnover	4	14,061,166	9,287,192
Administrative expenses		(9,587,707)	(11,197,807)
Operating profit / (loss)		4,473,459	(1,910,615)
Income from distribution in group undertakings	5	-	1,834,727
Profit / (loss) before tax	6	4,473,459	(75,888)
Tax on profit / (loss)	9	(849,957)	367,082
Profit for the financial year		3,623,502	291,194

There was no other comprehensive income in the year.

Balance sheet

	Note	As at 31 December 2021 £	2020 £
Fixed assets			
Investments	10	226,135	226,135
Current assets			
Debtors	11	18,064,573	13,940,814
Deferred tax asset	12	1,120,864	1,120,864
		19,185,437	15,061,678
Creditors - amounts falling due within one year	13	(849,957)	(349,700)
Net current assets		18,335,480	14,711,978
Net assets		18,561,615	14,938,113
Capital and reserves			
Called up share capital	14	400,000	400,000
Retained earnings		18,161,615	14,538,113
Total equity		18,561,615	14,938,113

The notes on pages 19 to 26 are an integral part of these financial statements.

The financial statements on pages 16 to 26 were approved by the Board of Directors on 12 May 2022 and were signed on its behalf.

DocuSigned by:

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Chris Rash

Director

Company registration no: 2202362

Statement of changes in equity

	Called-up share capital £	Retained earnings £	Total £
Balance at 1 January 2020	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
Profit for the financial year	-	3,623,502	3,623,502
Balance at 31 December 2021	400,000	18,161,615	18,561,615

Notes to the financial statements

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 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.

Statement of compliance

The accounts 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).

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.

(a) 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.

(b) Key estimates and significant judgements

The company receives profit commission as a percentage of the syndicates' profit which is subject to estimates, judgements and assumptions relating to the syndicates claims reserves. These estimates are subject to actuarial review and independent actuarial opinion.

(c) Foreign currency

The company's functional and presentational currency is Sterling. Transactions in other currencies are translated into the functional currency at the average rates of exchange for the period.

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)

2. Summary of significant accounting policies (continued)

(d) Revenue recognition

Turnover consists of managing agency fees and managing agent's profit commissions derived from the management of Lloyd's Syndicates.

Managing agent fees for syndicate 1183 are based on capacity and for syndicate 2019 are based on gross premiums written, and are recognised over the period for which services are provided.

Profit commissions payable to the managing agency arising on closure of a Lloyd's year of account are recognised on an accruals basis reflecting earned syndicate results, subject to the operation of any applicable deficit clause. Previously, profit commission was recognised based on syndicate ultimate results forecasts subject to an uncertainty adjustment.

For the financial year ended 31 December 2021 profit commission of £310,380 (2020: Nil) has been recognised for syndicate 1183. The effect of the change of accounting policy is to recognise £310,380 of profit commission due from syndicate 1183 rather than £1,943,279. There is no change to the prior year comparative amounts. For syndicate 2019 the managing agent's charges for the 2020 and 2021 year of account do not include profit commission and there is no change to the prior year comparative amounts.

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 the investment.

Notes to the financial statements (continued)

2. 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 the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party, or control of the asset has been transferred to another party who has the practical ability to sell the asset to an unrelated party.

Cash and cash equivalents comprise cash at bank and short-term highly liquid investments readily realisable as cash without significant financial penalty.

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 liability is extinguished, that is 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.

Notes to the financial statements (continued)

3. Management of risk

The company's Board has developed a governance framework and risk management policies and procedures which cover specific areas such as risk identification, risk management and mitigation and risk reporting. The overall appetite for accepting and managing varying classes of risk is defined by the Board. Executive oversight of the Risk Management Framework is delegated to the Executive Committee, which is responsible for ensuring that a risk register and key controls have been established and are maintained by the business. In addition to the Executive Committee, there are a number of other management committees which are responsible for risk management.

The company's Risk Management function provides senior management with a consolidated view of key risks. It supports the business and management in the embedding of risk management in business processes and in identifying, assessing, quantifying, managing, monitoring, reporting and mitigating risk exposures. This includes risks related to changing climate conditions, and tracking societal changes that could impact operations and elevate reputational risks. The company has reviewed its risk appetite and guidelines in respect to climate change including its position in relation to supporting wider government and Lloyd's targets.

A summary of the financial and operational risks faced by the company, and the risk mitigation techniques to identify, assess and evaluate and mitigate these risks are outlined as follows:

The company is exposed to credit risk from 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.

The company is financed by the equity investment of its parent together with retained earnings. It has no debt finance and therefore has no interest rate risk exposure.

The company's income and expenses are predominantly recognised in Sterling and therefore currency risk is minimal.

Liquidity risk is the risk of loss to the company arising from the company having insufficient liquid assets to meet all cash flow commitments as and when they fall due. Currently, the company has significant debtors arising from amounts owed by group undertakings and these can be settled in order to meet any short term liabilities.

Operational risk is the risk of loss to the company resulting from the inadequate or failed internal processes, people and systems, or from external events. This is mitigated through a system of documented and monitored and tested controls. The company has managed risks of the COVID-19 pandemic through its Risk Management Framework and the company has operated effectively on either a remote or hybrid working basis since March 2020.

Group risk is the risk of financial loss to the company from its membership of AIG Group. Group risk is mitigated through the monitoring of the AIG Group financial strength. Based on this management have concluded that the risk of credit default related to amounts due from Group undertakings is minimal.

Further information of risk management relating to syndicate 1183 and 2019 are disclosed in respective syndicates report and accounts.

4. Turnover

	2021	2020
	£	£
Syndicate 1183 – managing agent fees	8,000,000	6,500,000
Syndicate 2019 – managing agent fees	5,750,786	2,787,192
Syndicate 1183 – profit commission	310,380	-
	14,061,166	9,287,192

All income arises in the United Kingdom.

Notes to the financial statements (continued)

5. Income from distribution in group undertakings

	2021	2020
	£	£
Distribution received from subsidiary	-	1,834,727

The 2020 distribution relates to the liquidation of Talbot Underwriting (MENA) Ltd.

6. Profit / (loss) before tax

Profit / (loss) before tax is stated after management charges of £9,587,707 (2020: £11,197,807). These primarily comprise recharges from the group service company, Talbot Underwriting Services Ltd ("TUSL"), for services provided to the company.

7. Audit and non-audit fees

The audit fees for the company are included in the administrative expenses. During the year, TUSL incurred £21,000 (2020: £20,000) in respect of audit fees and £5,000 (2020: £5,000) of non-audit fees, which were recharged to the company.

8. Employees and Directors

The company has no employees (2020: 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 (2020: none).

9. Tax on profit / (loss)

(a) Tax charge / (credit) included in profit and loss account

	2021	2020
	£	£
Current tax		
UK corporation tax on profit / (loss) for the year	849,957	(363,017)
Adjustment in respect of previous years	-	(4,065)
Tax on profit / (loss)	849,957	(367,082)

Notes to the financial statements (continued)

9. Tax on profit / (loss) (continued)

(b) Reconciliation of tax charge / (credit)

The tax charge / (credit) for the year is the same as (2020: higher) the standard effective rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£	£
Profit / (loss) before taxation	4,473,459	(75,888)
Profit / (loss) multiplied by 19% (2020: 19%)	849,957	(14,419)
Effects of:		
Income not subject to tax	-	(348,598)
Adjustment in respect of previous years	-	(4,065)
Tax charge / (credit) for the year	849,957	(367,082)

(c) Tax rate changes

The tax rate for the current year is the same as the prior year. An increase in the UK corporation tax rate has been substantively enacted; this increases the main rate to 25% from 1 April 2023.

10. Investments

The company has two wholly owned subsidiary companies and one that is 99% owned. These subsidiary companies underwriting as coverholders on behalf of syndicate 1183 are below:

Subsidiary	Country of incorporation	Registered office	Interest (all direct)
Talbot Risk Services Pte Ltd (TRSA)	Singapore	AIG 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

The following subsidiary company has ceased underwriting as a coverholder on behalf of the syndicate:

Subsidiary	Country of incorporation	Registered office	Interest (all direct)
Talbot Underwriting (LATAM) S.A*	Chile	Avenida Apoquindo No.3650 Piso 8 Oficina 803, Las Condes, Santiago, Chile	99% ordinary shares

Notes to the financial statements (continued)

10. Investments (continued)

The value of the company's investments at the end of each year is shown below:

	TRSA	TURSL	LATAM*	Total
	£	£	£	£
31 December 2021	200,000	25,000	1,135	226,135
31 December 2020	200,000	25,000	1,135	226,135

*Talbot Underwriting (LATAM) S.A is in liquidation and it is expected to be dissolved during 2022.

The following companies have been dissolved prior to 31 December 2021:

- During 2021, Talbot Risk Services (Labuan) Pte Ltd was dissolved (on 31 August 2021) and ceased to exist as a Labuan entity from that date.
- During 2020, Talbot Underwriting (MENA) Ltd was 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 during 2020 and accounted for as a return of investment of £0.8m and a distribution from subsidiary of £1.8m (refer note 5).

11. Debtors

	2021	2020
	£	£
Amounts owed by managed syndicates	4,593,288	2,787,192
Amounts owed by group undertakings	13,471,285	10,790,605
Corporation tax recoverable	-	363,017
	18,064,573	13,940,814

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, repayable on demand and due within one year.

Notes to the financial statements (continued)

12. Deferred tax asset

	2021	2020
	£	£
Deferred tax asset in respect of losses carried forward	1,120,864	1,120,864
Deferred tax asset at beginning of year	1,120,864	-
Reclassification from current to deferred	-	1,120,864
Deferred tax (charge) credit for the year	-	-
	1,120,864	1,120,864

The deferred tax asset is recoverable within one year.

13. Creditors – amounts falling due within one year

	2021	2020
	£	£
Amounts owed to managed syndicates	-	349,700
Corporation tax	849,957	-
	849,957	349,700

14. Called up share capital

Ordinary shares of £1 each

	2021	2021
Authorised, allotted and fully paid	No.	£
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 immediate parent company is Talbot Underwriting Holdings Ltd, a company registered in England and Wales. The registered office is 60 Threadneedle Street, London, EC2R 8HP.

The ultimate parent and controlling party of Talbot is American International Group, Inc (AIG). The registered office of which is 175 Water Street, New York, NY 10038, United States of America. AIG is listed on the New York Stock Exchange.

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.