American International Group UK Limited

Annual Report and Financial Statements

For the year ended 30 November 2020

Company Registration Number: 10737370

Contents

Company Introduction

American International Group, Inc. (AIG) is a leading global insurance organisation. Building on 100 years of experience, today AIG member companies provide a wide range of property casualty insurance, life insurance, retirement solutions, and other financial services to customers in more than 80 countries and jurisdictions. These diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG common stock is listed on the New York Stock Exchange.

American International Group UK Limited ("AIGUK") is the legal entity for AIG's UK General Insurance activities. AIG has a history of over 60 years in the UK, where we are one of the largest companies specialising in the UK business insurance market. With offices throughout the country, we insure many of the UK's top businesses, thousands of mid-sized and smaller companies, as well as many public sector organisations and millions of individuals.

AIG's technical expertise and innovative insurance solutions help individuals, businesses and communities reduce their risk, recover from setbacks and realise their dreams.

Strategic Report for the year ended 30 November 2020

CEO Statement

Mr. Anthony Baldwin

During 2020, despite the formidable challenges created by COVID-19, we made significant progress towards our strategy of establishing a culture of underwriting excellence, delivering sustained profitable growth, modernising our operational infrastructure, delivering differentiated value to customers, and implementing a People strategy.

Our workforce adjusted to working remotely and I am incredibly proud of how the team became more unified and focused on supporting each other, our clients, and other stakeholders during this unprecedented time.

We redoubled our efforts to improve underwriting decision making with an emphasis on risk selection, which helped AIG to maintain its focus through the ongoing global economic uncertainty. These efforts were particularly visible in Financial Lines, Lexington, Property and Specialty for 2020.

We continued to assess opportunities to partner with the Lloyd’s market to bring innovation to our customers, leveraging Talbot, AIG’s Lloyd's of London managing agency.

We remain committed to delivering value to our clients and distribution partners and communicating our defined risk appetite. Our “Winning With AIG” campaign clearly outlined a defined risk appetite and reached thousands of brokers through digital channels.

We made significant progress with AIG 200, the global, multi-year effort focussed on the long-term strategic positioning of AIG. Since its launch in 2019, we have been focused on investing in our core processes and infrastructure to be more competitive in the marketplace and make real transformational change. The four core objectives for AIG 200 are to achieve underwriting excellence, modernise our operating infrastructure, enhance user and customer experiences and become a more unified company. Within the UK we invested in creating a standardised commercial underwriting platform, which we will continue to develop in 2021. This will provide support for underwriting through data integration, technology enabled controls and networks of automated systems which will better enable standardisation and improve competitive advantage and profitability.

To reach a broader customer base and diversify our distribution network and revenue streams, we increased investment in our digital platforms. We enhanced our e-trading digital broker platform offering, and expanded our range of products available to brokers.

During the challenging times we have faced in 2020 with many people having experienced personal tragedy or struggled to cope with lockdown, we recognise how important it is to focus on the wellbeing of our own people. “Being Well at AIG” was developed during the year and some of the additional support we provided in 2020 included a range of well targeted presentations offering insights and advice spanning topics such as how to manage the reality of living in the time of pandemic, maintaining cyber security while working from home and helping children to cope with the cancellation of exams and subsequently managing the back to school process. In addition, we held wellbeing workshops for employees, offered financial support to those in need, and extra time off for all employees to focus on their mental health.

I am proud of our focus on developing our employees in 2020 and pleased to say that we maintained the recently expanded learning and development opportunities for employees during the year.

Through our diversity, equity and inclusion (DEI) framework, BeingYou@AIG, we are creating a workplace that nurtures inclusivity, where everyone feels they belong and can bring their whole selves to work. Some groups remain under-represented and we continue to strive to create equitable access. In 2020 we continued to promote opportunities for our managers and employees to increase their inclusive awareness through our monthly DEI focused communications. We launched our 7th Employee Resource Group (ERG) virtually and our employee resource groups ran 250+ events. During 2020, all our Executives and HR team received training on Racial Sensitivity and Inclusive leadership with personal commitments to various personal actions.

We entered 2020 with a clear focus on improving our core underwriting performance. Despite headwinds, our underlying underwriting result improved in the year attributed to tight portfolio management, de-risking of segments including US listed D&O, Cyber and Trade Credit, supported by increased rate and expense discipline positions the company on a solid platform for profitable growth in 2021. Supported by our continued focus on driving improvements and increased embeddedness of technical pricing models, as well as progress in transforming the operating model through SCUP furthers us in our vision to be the leading specialist insurer in the UK market.

I'm very proud of the meaningful progress our team has made against these priorities. AIGUK colleagues have shown tremendous strength and flexibility in the face of challenging circumstances and remain committed to our journey to excellence in all that we do.

Strategic Goals

The Vision for the AIG is to be the leading specialist insurer in the UK marketplace. In achieving this vision, we will lead for Customers and Partners in delivering innovative and segmented products and value propositions, provide a leading employee experience and deliver sustained top quartile returns for AIG Group. Our right and ability to win will be built on our strength of specialist product and underwriting offering, leading Multinational and Claims serving capabilities, and an ability to trade flexibly across open marker, portfolio, and digital platforms.

Aligned with our strategic pillars outlined below, the following “Must win battles” identify the most critical priorities to execute on in sustaining our existing strategic advantage and delivering on the vision over the medium-term.

1. **Protect, leverage and grow core specialist platforms**: Capture market opportunity in profitable lines, retaining scale with Global broking partners and optimise contribution across our major corporate client base.
2. **Maximise the retail opportunity via regional & digital footprint**: Facilitate growth of small commercial with focus on specialist lines and packaged products, digital trading capability & expansion of distribution.
3. **Expand distribution to diversify income generation**: Deliver a segment diversification strategy to increase breadth of channel and access new customers through new partnerships, portfolio expansion and partnership with AIG’s Lloyd’s managing agent Talbot.
4. **Execute on the Standardised Commercial Underwriting Platform (SCUP)**: Deliver improvements to underwriting excellence, operational efficiency, and customer service
5. **Invest in data & analytics to drive risk selection and underwriting excellence**: Integrate third-party data in AIG systems with focus on implementing technical modelling enhancements, Management Information tools and process efficiencies.

During 2021, we will continue to focus on activities in line with our strategic pillars of establishing a culture of underwriting excellence, delivering sustained profitable growth, modernising our operational infrastructure, delivering differentiated value to customers, and implementing a people strategy in line with our business strategy.

Underwriting Excellence: Establish a culture of underwriting excellence through improved underwriting decision making, risk selection and continuously developing and improving technical pricing models and usage. We will continue to manage exposure through specific Line of Business risk appetites while managing gross and net limits in line with both Global and Regional underwriting strategy.

Profitable Growth: Target upper quartile profitability through continuous portfolio optimisation, focusing on growth in profitable lines of business such as Financial Lines, Specialty, International Property and Accident and Health where we have clear differentiation in the market and an established right to.

Modernise operational infrastructure: Refining operating models to maximise the UK's resources, scale and expertise in collaboration across the entire company, the UK will help build a standard commercial underwriting platform that will modernise our global underwriting capabilities, simplify processes and create a contemporary data architecture to drive better risk management decisions while improving user experience.

Segmented customer value proposition: Focusing on customer insight-led product development. Optimising profit contribution from our core commercial business including Global Broker partners, Major commercial and Multinational Clients, while diversifying income through International broker growth, collaboration with Talbot and delivering E-Trade solutions.

People Strategy that Promotes Inclusion and Growth: Our talented employees continue to be our most valuable asset and we will enhance our training and development programmes for managers, as well as technical training in underwriting and claims. As part of our commitment to promoting and retaining an inclusive workforce, we will build on our BeingYou@AIG framework in 2021, targeting increased membership of Employee Resource Groups and diversity, equity and inclusion efforts.

Future Outlook

The economic outlook for 2021 remains challenging, not least due to the global pandemic. AIG continues to show remarkable strength and resiliency through the ongoing global economic uncertainty. We believe our established multi-channel footprint and broad product offering, as well as our experience and commitment to continuous improvement, positions our business for growth under uncertain and challenging economic conditions. Working together with our talented people, we look forward to the new challenges and opportunities which 2021 will bring.

COVID-19

In March 2020 the World Health Organisation declared the novel coronavirus disease (COVID-19) a pandemic. Over the course of the last year governments have imposed special measures to contain the spread of the disease. COVID-19 is adversely affecting, and is expected to continue to adversely affect, our business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope and duration of the crisis and actions taken by governmental and regulatory authorities in response thereto. The COVID-19 crisis, and the governmental responses hereto, are causing ongoing and severe economic and societal disruption accompanied by significant market volatility. We are continually assessing its impact and, due to the evolving and uncertain nature of the COVID-19 crisis, cannot estimate its ultimate impact on our business, financial condition and results of operations.

Impact of COVID-19 and actions of AIG

System of Governance

We have been closely monitoring the various impacts COVID-19 has on our business and have taken actions where appropriate. AIG has a Corporate Pandemic Planning Committee (CPPC). This group manages the day to day operational pandemic response. Incident Management Teams (IMT) at the local, Regional and Country level that have been activated to respond to COVID-19. The IMT's engage with the CPPC to coordinate planning and response. Depending on the nature of the business interruption type, magnitude, and location, the IMT may include representatives from: Facilities, IT, Enterprise Risk, Finance, Legal / Compliance, Communications, Human Resources, Real Estate, Security, and Travel.

Executive-level meetings (which include members of the Executive Leadership Team as well as key business executives) dedicated to the COVID-19 event are held regularly. The meetings are held on a minimum of a weekly basis as the pandemic has continued the frequency has been adjusted according to the firm's needs. These meetings focus on reviewing new developments (internal and external), as well as forward planning and readiness. Follow-ups from this meeting are actioned same day to the extent possible. Certain decisions that impact the entire firm are elevated to the President and Chief Operating Officer for final decision, particularly if related to the issuance of a policy or standard. Similarly, Regional-level Incident Management Teams meet on a daily to weekly cadence (as required) and function similarly to the Executive Level meetings, except that the scope is narrower, i.e. the AIG UK IMT.

Business Continuity and Operations

In early March 2020, we transitioned to a work from home (WFH) position for all non-essential staff in the UK and numerous other international locations. Remote access to AIG's network is provided by either a secure Virtual Private Network ("VPN") or a virtual desktop environment. This technology was already in place for many employees and enabled AIG staff to complete their daily activities without many issues. The remote access has proven to be resilient, with the number of concurrent user sessions supported daily since March 2020 regularly exceeding 17,000 worldwide.

We have a network security and remote access controls in place to manage the traffic coming into and leaving our internal network. Incoming and outgoing traffic is routed through secure firewalls and other security technologies such as intrusion prevention and detection systems, both of which leverage industry standard threat intelligence feeds. Both methods of remote access used have built-in multi-factor authentication requirements. Users are challenged to use their local area network ID, password, PIN and RSA token for the connection to be successful. The increase in reports of ransomware, malware, phishing, scams and disinformation related to the Covid-19 outbreak prompted IT management to make employees aware of these threats.

Systems used for remote access have been kept up-to-date with appropriate security vulnerability patches and use anti-virus protection software that is updated regularly. The AIG standards around remote access, network security, identity and access management, cryptography and key measurements are deployed to support of remote access security.

Additional controls have been put in place to ensure the risks created by new ways of working, including redirection of mail, printing at home, taking files out of the office, shipping of equipment, credit card handling, are sufficiently mitigated across our operations.

We have a robust business continuity management program (BCM Program) in place to ensure vital operations, processes, and systems are in place following a business interruption by maintaining controls required to support the timely delivery of key services. The BCM Program outlines the roles and responsibilities of:

- employees (e.g., know their roles, complete any training and testing);
- managers (e.g., ensure staff are adequately educated and trained) and
- business units and their support functions (e.g., establish business continuity controls and monitor the effectiveness of those controls).

Within the BCM program is the requirement to conduct a Business Impact Analysis (BIA) for all functions/processes deemed critically important. The BIA is the process of analysing business functions to identify, quantify and qualify the impacts of a business interruption to normal business operations over specified periods of time. It forms the basis for understanding and developing the recovery time objectives (“RTO”) and recovery requirements for each business function/process.

In addition to many other considerations, the BIA includes the operational impact of a business interruption on both AIG’s customers and its vendors. The return time objective of a given function/process can be shortened if there is a significant impact to the customer. Loss of vendor impacts to functions/processes can be mitigated via manual workarounds that would be implemented if a vendor is unavailable due to a business interruption and/or utilising multiple vendors during business as usual to eliminate the single point of failure.

A Return to Workplace Task Force was formed with representation across functional and business teams to develop a strategy for returning to the workplace in a safe, efficient manner and to monitor the current posture of WFH and facility access restrictions. Guiding principles were established to support AIG’s commitment to protecting its people and returning the workforce to an AIG facility or in the field in a measured and methodical manner. The guiding principles for re-entry planning are outlined below:

- Provide an accommodative Human Resources policy and practices review that takes into account employee needs and personal circumstances, as well as wellness;
- Enable a flexible environment that allows the workplace to operate effectively and safely;
- Leverage a combined business value and needs-based approach to determine who, when, and how to effectively return to the office and conduct business outside the office;
- Prioritise the safety of people, while ensuring the continuity of operations and service;
- Communicate in a timely manner with transparency, honesty, and appropriate frequency; and
- Embrace the current situation to catalyse new ways of working.

Clear criteria have been established before any office is allowed to consider having employees return to the office, and final decisions are made centrally. Returning to the office will be a controlled process based first on workforce safety and with a full understanding of the internal and external operational environments for each location. Four “tollgates” must be taken into consideration as part of the decision making process:

1. current local government / health authority recommendations,
2. factors that could impact employee health and safety,
3. clear business rationale / benefits related to select roles or teams more fully reoccupying office space, and
4. assessment of preparedness of office space as well as employees to work safely on-site. At this time, we do not plan to return a significant portion of our staff to the office before the middle of 2021 which will be dependent upon the current situation.

Risk Profile

Our Risk Profile characteristics remain unchanged with Reserve Risk being the key risk. Through the use of reinsurance as a key mitigation technique Premium Risk is secondary to Reserve Risk. At the current stage the area of Market Risk and asset valuation has been the key area of recognized impact from COVID-19 through Credit Spread movements. Interest Rate and Currency Risk are generally hedged through Asset Liability Matching. We continue to monitor our Risk Profile through the changing external environment. Core risk tools and documents such as the Risk Register including the top ten risks and the ORSA were refreshed to reflect these external environment changes. Key risk area impacts are being assessed through Stress and Scenario Testing to assure resilience of the solvency of the company. The stressed scenarios, and their outcomes, have been updated on several occasions during 2020 as the situation develops.

Management plan to use mainly external reinsurance providers rated A- and better. The credit worthiness of captive exposures (or that of their parent companies) will be thoroughly reviewed prior to approval of transactions and annually thereafter. Credit ratings of external reinsurers are continuously being assessed in view of the COVID-19 pandemic.

Impact on Assets

The COVID-19 outbreak has led to volatility in the global financial markets. The main impact on our investment portfolios is through the widening of credit spreads as our holdings in equities or equity related investments is minimal. This has led to a temporary mark-to-market reduction in the valuation of our assets but the impact was managed under our capital management policy. Our investment portfolio has largely recovered from these losses with credit spreads now at similar levels to before the Covid crisis.

Claims Handling

Claims relating to COVID-19 are being handled as part of a globally coordinated cross functional process. Within the context of that global process, the Company is handling claims in the UK in a manner tailored to reflect legal and regulatory developments and requirements in the UK.

Investment Portfolio

The Company’s investment portfolio is conservative and we are monitoring closely all investments for potential ratings actions or other impairment indicators. The Company is primarily impacted through credit spread widening in its bond portfolio. We maintain a surplus of capital above our Solvency Capital Requirement (SCR) and monitor capital weekly. Although the company has a substantial foreign currency (non GBP) exposure, foreign exchange rate variations have limited impact on the solvency as this risk is hedged by holding capital in each currency to match the capital requirements arising in that currency.

The portfolio is highly liquid, including significant holdings of US and UK Government Bonds.

Affected Lines of Business

- **Property** – Only a small sub-set of our policies provide (subject to their other terms and conditions) affirmative cover in respect of business interruption loss arising from disease or government action. Within that sub-set, most provide disease cover by reference to an exhaustive list of diseases that does not include Covid-19. In line with the market, we have introduced full communicable disease exclusions on a standardised basis.
- **Financial Lines** – These lines are typically impacted upon a significant economic downturn and we are proactively working with our clients in monitoring and managing developments. However government intervention to support companies has mitigated impact of COVID and to date we have not seen a material change in losses. We are adopted a cautious underwriting approach to those trade sectors most impacted by COVID.
- **Personal Lines** – Most of the exposure in personal insurance stems from Group Business Travel and Leisure Travel in respect of flight cancellations and trip curtailments (business travel) with cancellations representing over 90% of the total risk.
- **Credit Lines** – These lines are typically impacted upon a significant economic downturn and we are proactively working with our clients in monitoring and managing developments. However, we have historically adopted a cautious underwriting approach to these lines.

Valuation for Solvency Purposes

The pandemic has impacted global financial markets in a negative manner creating a strain on capital for the industry. There is a corresponding impact on the valuation of certain assets within AIG’s balance sheet. The increase in volatility in financial markets has led to increased volatility in the value of the financial investments through 2020, with initial negative impact in the second quarter of 2020 from widening of credit spreads, followed by a partial reversion of that impact through the course of 2020.

The Technical Provisions include an allowance for COVID-19 on a best estimate basis. This estimate was initially established through a review of our underlying exposure and an assessment of the probability of a loss on a policy-by-policy basis. This estimate was refined over the year as further information emerged relating to coverage, claims notifications and developments in the legal environment. Whilst there still remains some possibility of development of the ultimate costs of these claims this is significantly mitigated through our reinsurance coverage.

The premium provision includes an allowance for the cost of COVID-19 on unearned exposure. Whilst this estimate considers the impact of the general economic, claims and rating environment it also anticipates a more benign COVID claims environment in 2021.

Capital Management

Throughout the volatile market movements, the Company has taken appropriate steps to ensure continuous compliance with the Internal Model SCR and target capital level through holding sufficient capital resources to meet the total requirement. The Company targets 130% of SCR to provide a buffer for volatile markets and business conditions. The resilience of the target capital buffer over the last year has proved appropriate.

The capital buffer is intended to withstand a range of stress events and scenarios without a breach of IM SCR. A set of stress testing scenarios has been performed to independently assess the level of proposed capital buffer to ensure it is held at such a level that any single loss from the stresses does not result in a breach. When assessing the impact of the scenarios, the reinsurance structure has been taken into account. None of the stresses resulted in a breach to the target capital buffer.

Risks to the Business

The Company is exposed to a range of financial and other risks in carrying out its core business of the provision of insurance and related activities. The policies and framework that the Company has put in place to identify, monitor and manage these risks are set out in the Risk Management Report on page 39.

In addition, quantitative and qualitative information regarding the components of insurance, financial, credit, liquidity and operational risk are set out in Note 4 to the financial statements on page 70. In particular the Company's exposures to currency risk, credit risk and liquidity risk are separately disclosed in that note. The Company's exposure to cash flow risk is addressed under the headings of 'Credit Risk' and 'Liquidity Risk'.

An analysis of the critical accounting estimates and judgements made by the directors in determining the results and Balance Sheet of the Company is presented in Note 3 on page 67.

Anti-Corruption and Anti-Bribery

We have adopted and follow the AIG Global Anti-Corruption Policy. AIG's Global Anti-Corruption Policy and accompanying Global Anti-Corruption Standards and Due Diligence Procedures for Third Parties, issued by AIG's Corporate Compliance Group and approved by senior management:

- Apply to all employees and ensure that AIG business is conducted in compliance with all applicable anti-corruption laws and regulations in jurisdictions in which AIG operates or does business;
- Set forth minimum requirements for employees to follow to ensure no bribery or corruption-related activities occur when employees directly or indirectly interact with Government Officials, Other Persons, and Third Parties acting on AIG's behalf;
- Describe the roles and responsibilities of employees and Compliance as they relate to the Policy, including reporting violations, reviewing potential issues, and oversight of the program;
- Outline potentially permissible expenditures and activities that may be allowed under certain circumstances, including gifts, meals and other hospitality for Government Officials, political contributions, charitable contributions; Government Officials as customers; and Government Officials as employees; and
- Require that all third-parties that have, or may have, interactions with Government Officials or Government Entities on AIG's behalf to undergo appropriate due diligence prior to being retained or doing business with AIG.

Additionally, there also exists an AIG Gifts & Entertainment procedure for AIGUK to enhance the suite of policies that mitigate bribery and corruption risk and all AIG employees complete periodic anti-corruption training. All Anti-Corruption related records are maintained in accordance with applicable record retention, legal and regulatory requirements.

Corporate Citizenship

For one hundred years AIG has been committed to making a difference in the communities where we work, live and serve our customers. We make financial contributions to organisations across the globe, working with many charitable partnerships to support programmes that help create a more secure and safe future. We also put great focus on employee engagement, encouraging participation with memorable volunteer opportunities and communicating to employees the value of making a difference in their community, developing new skills and opportunities to expand networks.

Throughout 2020 AIG in the UK continued to support a number of charities to strengthen communities. These included contributing to education charities (Career Ready, Diversity Role Models, Enactus and greenlight for girls), food poverty (FareShare), the arts (National Theatre), insurance industry-wide coronavirus support funds and the Insurance United Against Dementia campaign. As well as various events throughout the year we supported employee fundraising activities. One of highlights was sponsoring our colleague Alex Gibson's Guinness World Record challenge for travelling the length of the River Thames in a pedalo. Vital funds raised during this challenge will help those living with Motor Neurone Disease (also known as ALS in America) to fulfil memorable challenges and events.

Employee Relations

Employee Focus

To enhance our competitive position in the global marketplace, the Company is committed to attracting, developing and retaining a diverse and inclusive workforce. We accomplish this by empowering our management to lead a diverse workforce, enhancing the education and awareness of our employees and building an inclusive, respectful and productive workplace.

Diversity and Inclusion

AIGUK is committed to its Diversity, Equity & Inclusion (DEI) framework "BeingYou@AIG", rolled out in 2018. Diverse talent enriches the business and makes interactions with customers, partners and colleagues more meaningful. We also strive have a culture of inclusion of our workplace so all our employees can be their authentic self at work. BeingYou@AIG harnesses AIGUK's intent and ambition through a collaborative framework of engagement and through our three DEI areas of focus:

- Workforce- Attract, retain, and develop top diverse talent
- Workplace - Foster and advance a culture of inclusion and belonging
- Marketplace - Enhance the AIG brand in communities where we do business

Representing DEI in its widest context, BeingYou@AIG is a collaborative effort to harness the ambition, acumen and aspirations of our people. There are seven ERGs that embody the value that inclusion brings to the business. During 2020, our ERGs ran over 250 virtual sessions to engage, support and raise awareness.

During 2020, we also worked on increasing diverse representation by focusing on raising awareness and education on race and ethnicity. We hosted a webcast for Black, Asian and Minority Ethnic employees to share their experiences and invited senior allies to do the same. We held briefings to enable line managers to initiate difficult conversations that would help them understand the experiences of Black Asian and Minority Ethnic team members and then presented the themes that emerged from these conversations to around 200 leaders at the UK Leadership Conference in October as part of a session exploring the concepts of bias, privilege and micro-aggressions. During late 2020, 30 UK Executives and the HR team attended a training programme on racial sensitivity and inclusive leadership and we continued to roll out mandatory training to line managers with a focus on *Anti-bullying & Harassment* and *Decisive & Inclusive Hiring*.

We continued to partner with diverse recruitment sites such as Vercida and Bright Network to identify a more diverse pool of candidates, both for our experienced and early careers opportunities and reviewed our succession planning and talent review processes and training to increase our focus on developing diverse talent. We also focused on developing diverse talent through our underrepresented talent programmes. These include the Women's Executive Leadership and Accelerated Leadership development programmes that are helping to develop current leaders and create the pipeline of future female and underrepresented leaders. We also endeavour to develop external partnerships and sponsorships where we are driving forward to ensure we benchmark our success against the best and contribute towards increasing diversity and inclusion in the wider insurance industry. During 2020 we were recognised for the second year running by the British LGBT Awards as a Top 10 Inclusive Employer or Company.

Disability

We are committed to being an Equal Opportunities employer and creating an environment which embraces differences and fosters inclusion.

We welcome applications by prospective employees with a disability and ensure that no job applicant suffers discrimination because of their disability. We aim to ensure that role outlines accurately reflect the duties and responsibilities of the job, and that specifications only include relevant selection criteria which are job related. Suitability for employment is measured against the stated requirements of the job and no aspect of a person’s disability is used to assess how well an applicant will integrate with the workforce.

We ensure that all employees have equal access to training and development opportunities. Decisions about promotion and career progression are made on a fair and non-discriminatory basis. For employees with a disability, every effort is made to understand and support any reasonable adjustments needed to overcome barriers caused by their disability. We provide appropriate training and partner with the Business Disability Network to ensure that managers have the tools they need to support employees with a disability to thrive.

Employee Engagement

In order to engage with employees and promote a two-way communication process between managers and employees, employee engagement committees are in place in our regional offices. The rationale behind these is to promote a local culture of inclusion and participation and provide staff with information and resources that will support and enhance their work life. This aims to foster better communication, promote interaction, improve morale and efficiency in order for staff to feel valued and engaged.

Environmental Responsibilities and Climate Change

We acknowledge our environmental responsibilities and the impact that climate change has on our business and remain committed to playing a role in addressing these challenges. To that end, the AIG Group (AIG Inc. and its global subsidiaries) has developed a sustainability agenda intended to help future-proof our communities — a unified sustainability approach that supports our business strategy and addresses expectations from many of our key stakeholders including investors, regulators, clients and employees. Combating climate change is key to the Company as climate-related risks already present significant challenges to insurance companies, particularly in areas such as underwriting, claims and investments, financial reserving and operations. AIG is well-positioned to leverage its strength and risk expertise to help mitigate greenhouse gas emissions and guide our clients through the risks and opportunities posed by climate change.

The AIG Group have a Sustainability Working Group to assist with the development and execution of AIG's climate strategy. The groups meet regularly to review and assess the Company's position, policies, practicing and reporting with regards to sustainability, which includes climate-related issues. The Enterprise Risk Management teams (ERM) lead the alignment of AIG's sustainability efforts with AIG's enterprise risk management framework. The climate change risks to the Company have been assessed and in doing so split into two categories which are discussed below.

Short to medium term risks

Physical risks are the main short to medium term risk. Climate change exposes us to physical risks which may challenge our ability to effectively underwrite, model and price catastrophe risk, particularly if the frequency and severity of catastrophic events, such as pandemics, hurricanes, tornadoes, floods, wildfires, windstorms and other natural disasters, continue to increase. The Company also recognises that there are physical risks at an operational level and therefore assess the risks and opportunities associated with the physical impacts of climate change, including individual facilities and office locations. AIG has business continuity plans to respond to incidents that may disrupt business operations, such as extreme weather events or more recently in response to the COVID-19 pandemic.

Long term risks

Our assessment identified the transition to a low-carbon economy, litigation claims, reputational and technological risks. Whilst we recognise that the transition to a low-carbon economy is gradual and relatively slow process, we monitor and work closely with our stakeholders to keep abreast of changes in this area. AIG holds long-term investment for future periods and so as efforts to move away from a carbon-intensive economy gather pace we recognise the possibility that financial market participants may fundamentally reassess the value of carbon-intensive assets and the businesses that rely on them. Accordingly, we attempt to consider the relevant and material factors as part of our initial investment underwriting process. In recent years the industry has seen an overall increase in various climate-related litigation claims brought forward for a multitude of reasons. We will continue monitoring litigation trends to assess the potential impact of any developments and overall risk mitigation strategies. Climate change has been identified as a potential source of indirect reputational risk to AIG's corporate brand due to the prospect of a changing customer base or community perceptions of an organization's contribution to or detraction from the transition to a lower-carbon economy.

Technological advancements that support the transition to a lower-carbon, energy-efficient economic system may have a significant impact on a wide range of companies. The economic transition may also materially affect the demand for insurance in specific sectors, most obviously in energy and transport. Although this may not necessarily reduce the overall demand for insurance products and services, it may alter the patterns of demand and the nature of insurance cover required, to which AIG will need to respond in order to remain competitive. One of our approaches to mitigate these risks is to review our reinsurance platform to manage any potential volatility.

Environmental Strategies

1. Climate Risk Plan

During the year the Company has developed a Climate Risk Plan to support management in their duties to incorporate Climate Risk Management into the business processes. Examples of the key activities undertaken thus far are:

- The Company has appointed a Senior Management Function (SMF) role responsible for the identification and management of financial risks from climate change.
- Voluntary participation in the Climate Financial Risk Forum (CFRF) launched by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in which representatives of the Company contributed towards the development of the CFRF's Handbook on Climate Scenario Analysis.
- Participation in discussions and round tables regarding new and additional climate testing scenario analysis being introduced by PRA.
- Investment portfolio analysis with a view to assess the exposure to fossil fuel production, power generation and renewable energy generations.
- A review of potential impacts on underwriting operations, initial assessments have been conducted on economic transition risks, which may have an impact on Directors and Officers (D&O) and Liability and also physical risks, whereby the trends of frequency and severity of natural catastrophe events may be evident only after a number of years and which heightens the risk that there may be lags in updating of the parameterisation of these perils based on historical data sets.

2. Climate Related Opportunities

Our objective is to pursue climate-related market opportunities that are consistent with our core business strategy. For us, these areas of opportunity include developing new products and services to help our clients and customers manage their climate-related risks, partnering with other organisations to leverage our risk expertise and contribute to broader sustainability and resiliency efforts, improving our resource efficiency, and developing investment opportunities both for ourselves and our clients.

3. Carbon Footprint Reporting

The Company is committed to reducing its global carbon footprint and we recently achieved and exceeded an emission reduction target in our UK operations through our participation in the UK Carbon Reduction Commitment. We have demonstrated this commitment by increasing the efficiencies of internal company operations and physical assets under the company's control and reducing energy usage. Examples of this include continuous update to our offices, including the use of high efficiency lighting, sustainably manufactured products, and energy-efficient mechanical infrastructure installation of water saving washroom facilities and computer server technologies. In addition to this, AIG is a supporter of the UK Carbon Reduction Commitment and has committed to reducing the Scope 1 and Scope 2 carbon emissions and has already had significant success in this area.

All material Greenhouse Gas emissions are reported using ‘tonnes of CO2 equivalent’ (‘tCO2e’) as the unit of measurement and energy use in kWh. Our report for 2020 is shown below.

Greenhouse Gas Emissions Source	Year 2019	**Year 2020**	Trend
Scope 1 - Fuel combustion in vehicles and buildings (tCO_2e)	468	**309**	-34%
Scope 2 – (Location-based) - Electricity (tCO_2e)	1,233	**825**	-33%
Scope 2 – (Market-based) - Electricity (tCO_2e)	0	**0**	0%
Scope 3 - Business travel (tCO_2e)	6,769	**1,330**	-80%
Scope 3 - Indirect emissions from water (tCO_2e)	8	**5**	-38%
Scope 3 - Fuel and energy-related activities (tCO_2e)[1]	1,148	**390**	-66%
Total Scope 1 & 2 (Location-Based)	1,701	**1,134**	-33%
Total Scope 1 & 2 (Market-Based)	468	**309**	-34%
Total Scope 3	7,925	**1,725**	-78%
tCO_2e per net premiums written (Scope 1 & 2 Location-Based)[2]	1.51	**0.95**	-37%
tCO_2e per net premiums written (Scope 1 & 2 Market-Based)[2]	0.41	**0.26**	-37%

1. Includes WTT emissions from fuels and electricity transmission and distribution losses.
2. Value of net premiums written on the last day of the financial year, expressed in £m.

Overall, our Scope 1 and 2 emissions have decreased by 33% between 2019 and 2020. This was primarily due to office closures and reduced occupancy in our buildings because of COVID-19. We purchase our electricity from 100% renewable sources Our measured Scope 3 emissions totalled 1,725 tCO2e, with a 78% decrease from the previous year. Again, this decrease is primarily due to the global lockdowns and subsequent travel restrictions introduced during the COVID-19 pandemic.

During the year, our total fuel and electricity consumption totalled 5,145,102 kWh. The split between fuel and electricity consumption is displayed below.

Energy consumption (kWh)	Year 2019	**Year 2020**	Trend
Electricity	4,824,914	**3,537,101**	-27%
Natural gas	2,008,231	**1,476,681**	-26%
Fuels	335,022	**131,320**	-61%
Total energy use	7,168,167	**5,145,102**	-28%

We have also chosen to use net premium written as an intensity metric, the value of net premiums has decreased between 2019 and 2020 and this coupled with the reduction in Scope 1 and Scope 2 emissions, has caused a decrease in the emissions by 37% per net premiums written.

The Company has continued to reduce office footprints through consolidation, densification and work-from-home strategies, delivering material impacts which will result in future long-term reductions to our overall greenhouse gas (GHG) emissions. The above information has been prepared in accordance with the new environmental and climate change regulations and summarises how we have incorporated climate-related initiatives into our governance, strategy and risk management approaches, as well as the metrics and targets we use to track performance.

Corporate Governance

During 2020, our corporate governance structure and system of governance remained stable. There were no material changes to the framework which remains fit for purpose in delivering the strategic aims of the company while providing a mechanism for the Board, and the non-executive directors to oversee and challenge the executive management team.

Effective for the year ended 30 November 2020, the Company has adopted the Wates Corporate Governance Principles for Large Private Companies ('the Principles'). The structure also continues to comply with the relevant regulatory and legal requirements.

In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, set out below is an explanation of how the Company has applied each of the six Principles:

1. PURPOSE AND LEADERSHIP

AIGUK is part of the AIG Group and the Company operates to deliver local strategies that sit within the overall aims of the AIG Group. As per the Governance Report, the Board sets strategies and agrees the business plan for the Company and regularly monitors progress towards the Company's strategic goals and business objectives. 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

The Board is chaired by Philippe Tromp who is an independent non-executive director. The role of the Board Chair is distinct from that of the Chief Executive and each role is clearly defined. All the independent directors are considered to be independent as they are not financially dependent on AIGUK, have never been employed by any AIG group company and have not served more than nine years on the Board.

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. All Board Committees are chaired by an independent non-executive director (other than the Executive Committee which is chaired by the CEO). All the independent directors sit on the Audit Committee, the Reserves Committee and the Board Risk Committee which enables them to challenge and oversee a broad range of areas and topics across AIGUK.

The composition of the Board changed in 2020 with the retirement of two long serving independent directors being Anthony Hope and Martin Bowers, respectively the Board Chair and the Senior Independent Director. As per the Board succession plan, the Company welcomed the appointment of Philippe Tromp to the role of Board Chair. Two further independent directors were appointed during 2020 being David Smith and Penelope Shaw. The newly constituted Board possesses a broad range of experience including finance, underwriting and law and the most recent appointment brings a diversity of skills and experience to the Board that further enhances and deepens the overall competence of the Board.

A Board skills matrix is maintained by the Company Secretary and reviewed by the Chair periodically to ensure the Board has the right mix of skills and experience. The skills matrix is reviewed prior to any new director appointments. Directors update their skills, knowledge, and familiarity with the company through regular meetings with senior management, external training courses and specific Board-training sessions coordinated by the Chair and Company Secretary. Directors are also expected to undertake their own continuing professional development through attendance at external events and training sessions. There is an induction process for all new directors, tailored for specific individuals. The Board conducts an effectiveness review on a regular basis, the last independent effectiveness review was conducted by EY in 2020 with all recommendations implemented.

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 Terms of Reference 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 to the Chief Executive Officer (CEO), who chairs the Executive Committee. This meets quarterly and supports the CEO in execution of the Board-set strategy. The Executive Committee membership includes leaders of each business area and the heads of the controlled functions.

The other Board Committees, all chaired by independent non-executive directors, execute the business of the Board as delegated under the Committees' Terms of Reference. The Committees meet quarterly or more often as required. Attendance is monitored by the Company Secretary and attendance levels are high.

A Directors' interests register is maintained to identify and manage conflicts of interest. The Board also have a local policy and process which provides guidance on conflicts, including examples of potential conflicts, when they should be declared and how the Chair should address them, should they arise.

4. OPPORTUNITY AND RISK

A statement of principal risks and uncertainties is provided in the Strategic Report. As outlined in the Governance Report, the Board Risk 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. The key strategic pillars 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, 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 in detail how the Board ensures effective engagement with each of these stakeholders and how this engagement contributes to the delivery of the long-term objectives of the Company.

Section 172 Responsibilities

The Board is aware of the Directors' responsibilities under section 172(1)(a-f) of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the company

The Company has identified that its key stakeholders are its customers, employees, suppliers, brokers and other intermediaries, regulators, shareholders, the community and the environment. For all these interactions, the Board will seek to have sufficient engagement with the relevant stakeholders to ensure their interests are considered in the wider decision making process.

The Board sets a clearly defined long term strategy for success, focusing on five 'strategic pillars' which directly impact our key stakeholders:

Strategic Pillars

1. Underwriting Excellence
2. Profitable Growth
3. Modernise Operational Infrastructure
4. Segmented Customer Value Proposition
5. A People Strategy that Promotes Inclusion and Growth

The Board receives quarterly performance reporting and dedicates time at each quarterly Board meeting to discuss the strategic pillars and progress towards fulfilling the strategic goals. In addition, the Board meets annually to set the forward-looking strategy and agree the business plan, and through that process ensures key internal and external factors are considered in determining AIGUK's long-term strategy.

For the 2020 reporting year, the Board is satisfied that it has effectively engaged with and paid due regard to the interests of key stakeholders. Below we set out our community of stakeholders and how each are engaged. The Board will continue to review and challenge how AIGUK can continuously improve engagement with key stakeholders.

1. CUSTOMERS

AIGUK has trusted relationships with its customers and aims to ensure all customers are treated fairly and put at the heart of everything we do.

During 2020, the Board supported the continued embedding of the customer conduct initiatives including the role of the Customer Conduct Committee whose purpose is to ensure that conduct risks inherent in the UK business model and strategy are identified, mitigated and monitored, to provide oversight of Conduct Risk across the business and its adherence with the Conduct Risk appetite and policy. The Customer Conduct Committee also review the work of the other conduct risk management fora namely the Product Development Forum, the Producer Remuneration Forum and the Third Party Governance Forum.

The impact of the COVID-19 pandemic on claims and complaints handling was evident by the end of the first quarter. The Board oversaw the redeployment of staff from other teams including the legal function, to support customers receiving timely and straightforward responses to both claims and complaints. The Board received regular reports on adherence to AIG's service levels as well as those of the regulators.

2. EMPLOYEES

As set out above Employee Relations, we are committed to maintaining a skilled and engaged workforce driving a culture of alignment, accountability and action. We seek to achieve this through having the right people, in the right place with the right skills, building and developing world class talent in alignment with our vision to be the leading specialist underwriting company in the UK. AIGUK has put in place development plans for key staff which focus on underwriting knowledge, skills, sales & leadership development and developing our medium to long term talent pipeline through our early careers and apprenticeships programmes. We aim to build on prior efforts to improve Diversity through BeingYou@AIG, positioning AIG as an attractive and rewarding diverse and inclusive workplace. We seek to have an engaged workforce and build a responsive action plan to address feedback from Organisational Health Index.

COVID-19 response

For the majority of 2020, all staff worked remotely at times. We continued to support, develop and enable employees through various forums and methods of employee engagement whether that be with their line managers, through virtual 'townhalls' or the mid-year year performance check in conversations.

Through the virtual 'town halls' and other communications, staff were kept informed on relevant operational matters including staff welfare tools. Recognising the stress of working from home, balancing childcare and other family and carer commitments, our intranet hosted a range of specific tools to staff promote health and wellbeing, engagement, and productivity. AIG also disbursed cash allowances to all staff to defray home working costs, and all staff had access to additional IT and other equipment which was sent to their homes. The Board was pleased to note the Group wide days off for all staff where staff were encouraged to step away from work for the day.

Talent Management

We have an active Talent Management Framework which seeks to identify talent both internally and externally and retain its current talent through a programme of training and development courses. The key elements and the 2020 achievements reported to the Board were:

- **Creation of Talent Management Framework** - A framework designed to ensure UK functions are able to leverage talent processes throughout the year to enhance development, retention and performance.
- **Talent Reviews and Succession Planning** - Work programme underway to ensure all functions have completed Talent Reviews and Succession plans for 2020.
- **Career Development Programme** - Giving employees of all grades an opportunity to study towards professional qualifications and other relevant qualifications to support their role and career path at AIG.
- **Engagement Initiatives (Global and Local)** - Working Productively from home campaign on 'Your Learning Journey' and Skills Forum webinars by UK HR both to support the transition of working from home.
- **Early Careers**: AIG Advance Programme Development – A new school leaver apprenticeship programme aimed at supporting our talent pipeline.

Employee Resource Groups
We have an active Employee Resource Group (ERG) framework on which we place great importance in fostering and advancing a culture of inclusion in our workplace. The ERGs promote and enhance positive cultural change and the Directors actively participate and support these initiatives and groups. Our seven UK ERGs have achieved many successes, awards and held thought provoking events over the years, helping to take AIG on a journey towards workplace inclusion. The seven groups are Working Families and Carers, Generations, Gender Equality Matters, African Caribbean Network, Disabilities and Allies, Young Professionals and Allies and STEP LGBT and Allies. All ERGs are sponsored by two senior executive committee members.

3. SUPPLIERS
Our Procurement function is closely aligned with the AIG Global Sourcing function. This ensures we are able to leverage the strengths and scale of the wider AIG Group, whilst reacting quickly and appropriately to local demand. The Procurement function works to secure the best value for money for AIG in any dealings with third party vendors (this is not just about price, but includes quality, flexibility, speed to deliver, innovation etc.), to ensure that all transactions are carried out in accordance with AIG governance policies; and to ensure that all material outsourcing engagements comply with local rules and regulations. The Procurement function uses appropriate risk management techniques and evaluations to select appropriate vendors, including exit plans where arrangements fail or do not perform in line with AIG's expectations.

During 2020 and from the start of the COVID- 19 pandemic, the Procurement function identified key vendors critical to the effective operation of AIGUK. This was a cross-functional exercise across the AIG Group. Through this work, key vendors were quickly identified and their Business Continuity Plans interrogated to ensure ongoing and effective service delivery. The Procurement function also worked with IT and vendors to ensure that equipment was delivered to staff at home so that they could continue to work remotely with minimum disruption. During 2020, we also rolled out new software tools to further enhance its third-party management through improved data capture and reporting tools.

4. BROKERS AND INTERMEDIARIES
We aim to engage actively and regularly with its key broker partners and other intermediaries to deliver profitable growth aligned to the objectives contained within our strategy and business plans. The key tenets of our Broker engagement are:

- Building a strategic engagement plan aligned at line of business level;
- Increasing our focus on opportunities aligned to appetite and where we can differentiate the Company;
- Improving the broker experience through articulation of risk appetite, improved; responsiveness and pre/post placement servicing;
- Clearly articulating our differentiated proposition via lifecycle delivery of value proposition material; and
- Expanding access to distribution through key retail partnerships and digital products.

Throughout 2020, we maintained high levels of engagement with our broking partners and customers reflective of the increased risks and opportunities presented by the developing market conditions such as CAT activity, remote market and trading access, Brexit uncertainty, and COVID-19 economic impact.

Example of specific activities within that engagement strategy were:

- Delivered a thorough refresh of the Risk Appetite and Value Proposition across all key lines of business via the 'Winning with AIG' campaign, which provided clarity on the Company's underwriting approach while providing clarity to brokers and customers on the solutions AIG can offer on complex exposure challenges, via:
    - Video interviews with all UK Product leaders
    - Supportive collateral on Underwriting 'Sweet Spots' and 'Value Proposition'
    - Product team structure charts including contact details
    - Resources on Thought Leadership
    - Winning with AIG microsite hosting all of the above
- Delivered a series of webinar Academy sessions highlighting key industry trends, product expertise and availability, and providing thought leadership on emerging exposures and market responses
- Increased investment in talent and product digitization to provide customers with access to solutions via enhanced expertise and capability, reflective of changing buying habits
- Improved broker and customer access to decision makers through virtual trading rooms, standing appointment access, key participation in market and broker-specific trading platforms such as PPL, Whitespace and others

The Company has also increased its use of 'Salesforce' as its customer relationship management tool of choice. With consistent usage by all product towers, client/broker engagement teams, marketing and claims staff this tool will proactively and effectively enhance the customer experience.

5. REGULATORS

AIGUK maintains positive and constructive regulatory relationships with both regulators based on developing relationships of trust, maintaining a robust governance framework and ongoing communication. The CEO, senior management and the Board are fully engaged in the regulatory agenda and have regular dialogue and interactions with both regulators. This is supported by a dedicated Regulatory Affairs team whose role is to co-ordinate and manage regulatory relations, maintain ongoing open dialogue at all levels, ensure that regulatory requests are responded to effectively, identify emerging regulatory issues/changes and assist the Board & executive management in their interactions with both regulators. There has been close engagement with both regulators over the past year on a range of issues, including COVID-19 which itself generated a significant number of regulatory information requests.

6. SHAREHOLDERS

We engage regularly with our shareholder through frequent and open dialogue on strategy and business planning, financial performance, and critical staff appointments. We consider it vital to the success of the Company to have an open two-way communication paying regard to the strategic direction and purpose of the AIG Group and its long-term aspirations to deliver sustainable, profitable growth to its shareholders. In 2020, the Board welcomed Jon Hancock, Chief Executive Officer, International General Insurance as a director. Jon provides the Board with the view from Group at its quarterly Board meetings and maintains regular dialogue with Anthony Baldwin, AIGUK's CEO, the Board Chair and other senior AIGUK executives. Staff are engaged with the AIG Inc. Group through virtual 'town halls' led by AIG Inc. Executives including the CEO, and the President and Global Chief Operating Officer, Chief Executive Officer, General Insurance.

7. COMMUNITY AND THE ENVIRONMENT

AIG has been committed to making a difference in the communities where we work, live and serve our customers. We make financial contributions to organisations across the globe, working with many charitable partnerships to support programmes that help create a more secure and safe future. We also put great focus on employee engagement, encouraging participation with memorable volunteer opportunities and communicating to employees the value of making a difference in their community, developing new skills and opportunities to expand networks.

We recognise our duty of care with respect to the environment and consequently will maintain as far as is reasonably practicable, to undertake its activities in such a way as to minimise any impact to the environment, whilst conducting its business. In support of our corporate social responsibility we have committed to the following environmental objectives:

- Source new technology in order to reduce energy consumption and waste.
- Train all new staff on our environmental programme and empower them to contribute and participate to environmental initiatives.
- Source sustainable items from suppliers that can be 100% recycled at their end of life.
- Reduce, re-use and recycle waste with the target of 0% waste to landfill.
- Minimise environmental impact from the company activities as to avoid damage to the environment.
- Ensure we advise our employees and customers on the best options to reduce carbon emissions and waste and to develop best practice in the way we work to reduce our impact on the environment.
- Comply with its legal obligations and with all other applicable statutory provisions and relevant codes of practice.

Significant Product Lines

1. PERSONAL INSURANCE – net premiums written £232.4 million

Personal Insurance comprises accident and health, voluntary employee benefits, individual personal accident, individual travel, personal auto, service programmes, and private client group. We are a specific segment player with the majority of business sold via corporates or sponsors. As such, we principally provide a ‘wholesale proposition’, retail broker or direct to customer in select markets. The value proposition and distribution models vary across lines and countries.

2. CASUALTY – net premiums written £257.6 million

Casualty provides both traditional and complex insurance solutions on a primary and/or excess basis for diverse businesses with local or global risk exposures. Dedicated casualty underwriting, risk consultant and claims teams operate in all key regional insurance markets. Our global casualty product offering remains a worldwide leader in primary and excess liability markets, offering public and production, motor fleet and employer’s liability cover, with market-leading capacity. Casualty also includes crisis management insurance for product contamination/recall, providing both asset and liability protection following a product recall, malicious product tamper or extortion event.

3. FINANCIAL LINES – net premiums written £307.2 million

Financial Lines provides protection for a diverse range of organisations worldwide. Management liability products include Directors' and Officers' Liability, Employment Practices Liability, Pension Trustee Liability and Crime Insurance. Cyber Insurance provides protection against liability arising from computer hacking, viruses, and data breaches in addition to covering income loss, cyber extortion, and forensic/notification/public relation costs after a cyber incident. M&A Insurance includes Warranties & Indemnities Insurance, which offers buyers and sellers involved in mergers, acquisitions, divestitures or other business transactions protection from financial loss due to inaccuracies in representations and warranties.

Kidnap & Ransom protection aims to support our clients against threats that may impact a business or person anywhere in the world. Professional Liability protects professionals in the event of claims arising from errors and omissions while providing professional services to others. Financial Institutions includes Professional Liability, Directors' and Officers' liability and Crime cover provided to banks, insurance companies and other financial institutions to cover claims alleging failure to render professional services and commitment of errors and omissions in the execution of professional services, claims brought against directors, officers and senior employees for actual or alleged breach of duty, neglect, misstatements, errors or omissions as well as protection for losses suffered by financial institutions due to crime.

4. PROPERTY – net premiums written £111.0 million

Property offers insurance cover for material damage and business interruption on an 'all-risks' and 'specific perils' basis. The business insures some of the world's largest and most complex organisations.

5. SPECIALTY – net premiums written £279.0 million

Our Specialty product lines comprise the following businesses:

- **Aerospace** – insurance solutions for the global aviation and space industry.
- **Energy** - provides comprehensive property insurance cover for offshore and onshore oil exploration, power generation, oil and petrochemical, chemicals and pharmaceuticals, mining and construction.
- **Marine** – cargo transportation products and handling services worldwide.
- **Package** – products are designed for the Small and Medium Sized Enterprises ("SME") market and provide an extensive ranges of covers most purchased being property and casualty.
- **Political Risk** – risk transfer solutions to enable companies to manage the risk of disruption/loss after a political event.
- **Surety** – provides protection by way of guarantee to public and private sector clients against the inability of contractors and service providers to fulfil their contractual obligations.
- **Trade Credit** – is a leading Excess of Loss Credit Insurer protecting corporates and trade finance funders against non-payment of trade receivables.

We also underwrite risk management business for our clients, primarily in the Property and Energy sectors.

Financial Performance

Overview

The Company has reported a loss on ordinary activities before tax of £6.1 million. Although the underwriting performance has been adversely affected by the COVID-19 pandemic and some reserve strengthening, growth in net premium written has been strong most notably in financial lines and property. The Company has achieved strong investment income returns which have positively contributed to the overall results and so despite the impact of COVID-19 the Company has achieved only a relatively small loss. The full results of the Company are on page 53 and 54. The Total Comprehensive Income for the year of £14.5 million (2019: £205.2 million) has been transferred to equity. As at 30 November 2020, total equity of the Company shown on page 56 totalled £1,828.0 million (2019: £1,809.4 million).

The Key Performance Indicators used by the Directors' to manage the Company are below:

	2020 £'m	2019 £'m
Net Premiums Written (1)	£1,187.2	£1,130.1
(Loss)/Profit Before Tax	(£6.1)	£186.4
Net Loss Ratio (2)	86.7%	67.0%
Combined Ratio (3)	111.1%	96.4%
Underwriting Result (4)	(£130.0)	£44.9

1. Net Premiums Written is derived from the Gross Premium Written in period less premium ceded to reinsurers in period.

2. The Net Loss Ratio is derived from Net insurance claims as a percentage of Net earned insurance premium revenue.

3. The COR is derived from the Net insurance claims, Commissions (which include acquisition costs, change in deferred acquisition costs, reinsurance commissions receivable, change in deferred reinsurance commissions and policy fee income), and Administration expenses as a percentage of Net earned insurance premium revenue.

4. The Underwriting Result is a sum of the Net earned insurance premium revenue, less Net insurance claims, Commissions (as detailed above) and Administration expenses. The difference between the Underwriting Result and the Balance on the Technical Account for General Business reflects the inclusion of policy fee income as disclosed in Note 11 to the Financial Statements and the allocated investment return transferred from the non-technical account.

Profitability

The combined operating ratio ("COR") is 111.1%, which is driven partly by the strengthening of prior year reserves and to a lesser extent COVID-19 losses. The prior year reserve strengthening was mainly in Financial Lines in response to deterioration in a number of higher claims and ongoing settlement inflation. The Company has also achieved higher commission income and lower expenses during the year.

Financial Strength

The Company continues to report capital strength with an improved equity position of £1,828.0 million compared to £1,809.4 million in the previous year. This robust position has allowed the Company to meet all its regulatory capital requirements and has a capital adequacy ratio of 138.4% which includes the benefit of an additional £100 million of letters of credit as Tier 2 capital, approved by the PRA in May 2020.

Anthony Baldwin

Mr. Anthony Baldwin
Chief Executive Officer
09 March 2021

Directors' Report for the year ended 30 November 2020

The Directors present the annual report and financial statements of American International Group UK Limited ("the Company") for the year ended 30 November 2020. The Company was incorporated on 24 April 2017.

Principal Activity

The principal activity of the Company is to provide general insurance across a wide range of classes of business, principally in the UK.

Board of Directors

P Tromp	appointed 27 October 2017	
A Baldwin	appointed 24 April 2017	
R O'Malley	appointed 12 December 2018	
C Townsend	appointed 22 November 2018	resigned 6 January 2020
M Bowers	appointed 27 October 2017	resigned 30 June 2020
J Hancock	appointed 14 December 2020	
A Hope	appointed 27 October 2017	resigned 30 June 2020
P Malvasio	appointed 10 October 2018	
P Shaw	appointed 1 June 2020	
D Smith	appointed 1 January 2020	

Secretary

K Hillery

Company Registration Number

The company registration number for American International Group UK Limited is 10737370.

Registered Office

The AIG Building
58 Fenchurch Street
London EC3M 4AB

Registered Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Principal Bankers

Citibank N A
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Independent Auditors

PricewaterhouseCoopers LLP were appointed as auditors by the members of the Company on 9 February 2018.

In accordance with EU legislation on the mandatory firm rotation (“MFR”) of external auditors, the Audit Committee was presented with the MFR tender bidding documents in October 2019 and the statutory auditor selection was awarded to Mazars for the year ending 30 November 2021.

The transition phase between PricewaterhouseCoopers and Mazars started in May 2020, with regular meetings to discuss the planning and progression of the transition with focus around key planning areas such as risk and independence components.

Dividends

No dividends were declared or paid during the period (2019: £nil).

Approach to Risk

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, the Risk Committee and Internal Audit. Compliance with regulation, legal and ethical standards is a high priority for the Company. As part of the AIG Inc. Group, the Company conforms to a formal internal control framework which exists to manage financial risks and ensures that controls operate effectively.

Events after the Reporting Year

For known events occurring after 30 November 2020, details can be found in Note 29 to these financial statements.

Going Concern

The Directors have considered all available information, including an assessment of available financial resources supported by prudent investment principles, a high quality of invested assets, sound underwriting procedures, a strong control and risk mitigation environment (including, but not limited to, the use of reinsurance) and the support of a financially strong parent company and believe that the Company is well placed to manage it business and operational risks successfully.

Whilst there has been an impact of COVID-19 on the financial performance thus far, the Company is confident that it has the strength, liquidity and strategy to improve on the performance in the coming years and with the benefits, experience and scale of the AIG group, the Company has considerable financial resources together with long-term contracts with customers and suppliers across the UK.

As a consequence, the Directors are confident that the Company is well placed to manage its business risks and has adequate resources to continue in operational existence for a period of at least twelve months from the date these financial statements are signed. Accordingly, the Company continues to prepare its financial statements on a going concern basis.

Directors’ Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The group company (AIG Inc., 175 Water Street, New York, NY 10038, United States) purchased and maintained throughout the financial year Directors’ and Officers’ liability insurance in respect of itself and its Directors.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are 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.

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.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

Anthony Baldwin

Mr. Anthony Baldwin
Chief Executive Officer
09 March 2021

Meet the Directors

The names of the current directors are listed on page 26. As at the date of this report the Board comprises the Chairman and Independent Non-Executive Director, two Executive Directors and four additional Independent Non-Executive Directors (INEDs). Details of the current Directors are set out below.

Mr P. Tromp

Chair and Independent Non-Executive Director

Philippe Tromp joined the board of AIGUK's predecessor, AEL on 25 June 2012. Mr Tromp was appointed as AIGUK Board Chair on 1 January 2020 having previously served as Chair of the Audit Committee. Mr Tromp is also Chair of the Remuneration Committee with effect from 1 January 2020.

Mr Tromp has over 36 years' experience across the financial services industry. Mr. Tromp has a broad range of experience gained in debt capital markets, asset-backed securitisation, infrastructure finance, market infrastructure, financial technology, and general insurance.

From 2010 to 2013, he led a start-up behind the development of a multi-dealer institutional electronic trading platform for credit products. Previously he spent 16 years in senior roles in the international business of operations of the monoline insurer Financial Security Assurance and led the international business operations through the downsizing following the 2008 financial crisis. Mr. Tromp also serves the boards of Euroclear UK & Ireland as Chair of its Risk Committee and of Visa Europe as Chair of its Risk and Audit Committee, with both roles utilising his understanding of commercial, risk management, regulatory and governance issues.

Mr A. Baldwin

Chief Executive Officer

Anthony Baldwin is Chief Executive Officer (CEO), which covers all AIG's UK general insurance activities. Prior to this Mr Baldwin was CEO for AEL, AIG's core pan European general insurance subsidiary which merged into AESA on 1 December 2018.

Mr Baldwin is based in London and leads the Executive Committee of AIGUK. He works closely with the Board and UK senior management to formulate AIG's profitable growth strategies for the UK and ensure that AIG has the structure, resources, talent, and regulatory governance to execute these strategies successfully.

His prior roles at AIG were as Managing Director and Head of Distribution, EMEA, leading the execution of AIG's distribution strategy in the region, and working closely with Commercial and Consumer teams to deliver sustainable client value. He has also served as Managing Director of AIG's European Country Operations, overseeing operations across 26 European countries.

Mr Baldwin has over 20 years of experience at AIG. He joined AIG's Financial Lines division in 1995 as Financial Institutions Manager for the UK and Ireland. He later became Chief Underwriting Officer for Financial Lines UK and Ireland in 2004, and two years later, was appointed Financial Lines Manager UK and Ireland. In 2008, he was appointed Senior Vice President of AIG's International Commercial Lines division, with responsibility for AIG's international Financial Lines portfolio.

Mrs R. O'Malley
Chief Financial Officer

Romaney O'Malley joined AIG in January 2010 as the CFO for Africa providing leadership across that continent in all matters financial, regulatory, management reporting and rating agency relationship management. She was also a member of the operating subsidiary boards. In addition to the CFO role, Mrs O'Malley added Head of Capital Management and Restructuring in AIG's Emerging Markets space comprising 21 countries throughout Africa, the Middle East and the Eastern European countries.

Mrs O'Malley is a qualified accountant with 20 years' industry experience both in senior finance and insurance business management roles both at AIG and also other large insurers such as Liberty and Swiss Re. Prior to her current role as CFO of AIGUK, Mrs O'Malley was leading AIG's UK Regions, a role that was accountable at the P&L level for all of AIG's UK branch distribution and underwriting operations outside of London. Prior to this Mrs O'Malley was the General Manager for Belgium and Luxembourg.

Mr P. Malvasio
Independent Non-Executive Director

Paul Malvasio is a seasoned financial executive having extensive experience in global finance and operations with publicly held and privately-owned insurance, reinsurance and insurance broking companies ranging from all aspects of operational and financial management, initial public offering, financings, SEC registrations and managing investors and rating agencies spanning a 35-year career.

Mr Malvasio has held several senior roles in general insurance including Managing Director, Chief Financial Officer at Marsh, Guy Carpenter and Navigators Group Inc.

He also served on various US specialist trade bodies including as a member of the Chief Financial Officer Insurance Roundtable, as Chair of the RAA Technical Committee and served as a member of the RAA Tax Committee and is a past President of the Society of Insurance Financial Management.

Mrs P. Shaw
Independent Non-Executive Director

Penny Shaw joined AIG as an independent non-executive director on 1 June 2020.

Mrs Shaw, has over 25 years of experience in the insurance industry, she is a qualified actuary and risk professional. She most recently held the position of Group Chief Risk Officer for The Hanover Group and its subsidiary Chaucer, latterly supporting Chaucer through their owner transition, leaving in March 2020. She was responsible for the overall performance, direction and management of enterprise risk management, underwriting risk management, exposure management as well as responsibility for legal, compliance and corporate governance functions.

Before joining the Hanover Group in 2014, Mrs Shaw was Group Chief Risk Officer for Hiscox. Prior to this, she was with ACE (now Chubb) for 10 years as European Head of Risk Management and Capital and various senior actuarial roles.

Mrs Shaw is currently an independent non-executive director for Assured Guaranty Europe plc and Catalina UK Companies and is a Chartered Director.

Mr D. Smith

Independent Non-Executive Director

David Smith joined AIG as an independent non-executive director on 1 January 2020.

Mr Smith is a Chartered Engineer and spent his early career in engineering consultancy and technical services. He served 27 years in varying roles at Zurich Insurance, including Managing Director of the UK Commercial and Personal Insurance Lines businesses, leaving as CEO in April 2015.

From 2004 to 2015 he was an independent non-executive director at Polaris UK Ltd, the insurance industry standards and software body, chairing the Board from 2013 to 2015. He is currently the Chairman at Lockton Companies LLP, an independent non-executive direction at Bupa Insurance Ltd, and a Member of the Board at the Chartered Insurance Institute.

Mr J. Hancock

Group Non-Executive Director

Jon Hancock is Chief Executive Officer of International General Insurance and serves on AIG's General Insurance Executive Leadership Team.

Mr Hancock leads AIG's International General Insurance operations, which include gross premiums of approximately $18 billion of commercial and personal insurance businesses in Asia Pacific, Japan, United Kingdom, Europe, Middle East and Africa and Latin America and Caribbean. In this role, he is responsible for the operation and long-term strategy to deliver profitable growth and enhanced service to clients and distribution partners across AIG's extensive international footprint.

Mr Hancock has more than 30 years of insurance industry and international operating experience. He joined AIG in June 2020 from Lloyd's, where he was Performance Management Director with responsibility for overseeing performance and risk management globally across the Lloyd's market. He also served as a member of the Lloyd's Franchise Board.

Prior to Lloyd's, Mr Hancock enjoyed a career of more than 25 years at RSA Insurance Group, including as Managing Director of UK Commercial, which encompassed RSA's European Specialty businesses, and Global Broker Relationship Director. Previously, he served as RSA's Chief Executive Officer, Asia and Middle East, and held chief underwriter and risk roles in a variety of developed and emerging markets.

Governance Report for the year ended 30 November 2020

Summary

The Company believes a strong system of governance supports the delivery of its strategic objectives and provides an effective and controlled decision making process for the benefit of its customers, staff and all stakeholders. An established risk governance structure exists which provides oversight over the Company's decision making framework within which material risks are continually identified, assessed, monitored and managed. The Board delegates clearly defined responsibilities to various committees. The Company believes that good governance is about much more than committees: it is about ensuring the stability, consistency and innovativeness of our business in order to make sure our customers' expectations are met and exceeded.

Governance Structure

The Directors sit on a broad range of Committees forming the AIGUK Governance Structure as illustrated and discussed on page 42.

	Philippe Tromp	Anthony Baldwin	Romaney O'Malley	Paul Malvasio	Penny Shaw	David Smith
Main Board	C	M	M	M	M	M
Audit Committee	M			C	M	M
Board Risk Committee	M	M		M	M	C
Executive Committee		C	M			
Reserves Committee	M		M	M	C	M
Remuneration Committee	C			M		
Risk and Capital Committee			M			
UK & Europe Market and Credit Risk Committee			C			

M - indicates membership of that board or committee
C - indicates chairmanship of that board or committee

Principal Committees

The AIG Board and the five key committees are listed below and provide an overview of the governance arrangements for the Company.

The Board

Audit Committee	Board Risk Committee	Executive Committee	Reserves Committee	Remuneration Committee
Chaired by Mr P Malvasio. Composed of Independent Non-Executive Directors.	Chaired by Mr D Smith. Composed of Independent Non-Executive Directors, Directors and Senior Management.	Chaired by Mr A Baldwin. Composed of Senior Management across key business functions.	Chaired by Mrs P Shaw. Composed of Independent Non-Executive Directors, Directors and Senior Management.	Chaired by Mr P Tromp. Composed of additional Independent Non-Executive Directors.

The Board

Fundamental Purpose

The Board has overall responsibility for the management of AIGUK. Its role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables each of the risks faced by the Company to be assessed and managed. The Board is responsible for promoting the long-term success of the Company whilst securing an appropriate degree of protection for policyholders and, in particular, for setting the Company's strategic aims, monitoring management's performance against those strategic aims, setting the Company's risk appetite, ensuring the Company is adequately resourced and that effective controls are in place.

Composition and Frequency of Meetings
The Board meets at least six times a year (quarterly plus additional meetings to review the annual report and the following year's business plan and budget), with more frequent meetings as required. It is composed of a mix of Executive Directors and Independent Non-Executive Directors, so as to achieve a balance of skills, experience, challenge and debate and so that no individual or small group of individuals can dominate its decision taking.

Agenda and Management Information
There are various core standing items that form the Board's agenda. These include:

- Business Review
- Strategy
- Finance
- Investments
- Actuarial & Reserving
- Risk
- Audit
- Legal & Compliance
- Human Resources
- Data Management

Other ad hoc items can be added as business needs require by way of prior co-ordination with Company Secretariat.

Audit Committee

Fundamental Purpose
The role of the Audit Committee is to:

- Assist the Board in discharging its responsibilities for the integrity of the Company's financial statements;
- Provide independent and objective assurance and oversight of the effectiveness of the systems of internal controls (financial, operational, compliance and risk management), including those systems and controls reviewed by Internal Audit;
- Provide oversight of the qualifications, independence and performance of External Audit; and
- Monitor the Company's compliance with legal and regulatory requirements.

The Audit Committee is part of the third line of defence.

Composition and Frequency of Meetings
The Audit Committee is composed of each of the independent non-executive directors. The CFO, General Counsel, Head of Internal Audit and lead partner of AIGUK's External Auditors are standing invitees. The Committee meets at least quarterly, with more frequent meetings as required.

Agenda and Management Information
The regular feeds into the Audit Committee to enable it to fulfil its terms of reference are:

- Finance
- Internal Audit
- External Audit
- Internal Control & Risk Management
- Governance
- Private Sessions for the Committee to meet with the External Auditor and Executive Management being the CEO, CFO, Head of Internal Audit and Head of Compliance

Board Risk Committee

Fundamental Purpose
The role of the Board Risk Committee is to challenge, oversee and monitor the management of risks within the Company to ensure they are being managed within the risk governance requirements and risk appetite approved by the Board.

Composition and Frequency of Meetings
The Board Risk Committee is composed of each of the independent non-executive directors plus the Chief Executive Officer, the Chief Risk Officer, the Chief Operating Officer and the General Counsel. It meets quarterly, including to ensure that risks to the business plan and the capital implications are adequately identified and assessed as part of the business planning process and that appropriate mitigants are in place.

Agenda and Management Information
The regular feeds into the Board Risk Committee to enable it to fulfil its terms of reference are:

- Capital Management
- Risk & Capital Report
- Enterprise Risk Management Report
- Operational Risk
- Credit Risk
- Market Risk
- Insurance Risk
- Stress & Scenario Testing Reports
- IT & Systems Update
- Internal Model Update

Executive Committee

Fundamental Purpose
The Executive Committee has responsibility for developing and implementing strategy for, and managing operational issues. It is responsible to the Board for day-to-day management of the Company. It develops strategy (for example, through annual business and capital plans), proposes the strategy to the AIGUK Board, and once approved, implements it. As an executive body, it forms part of the first line of defence.

Composition and Frequency of Meetings
Typically, the Executive Committee meets at least twice a quarter. It is composed of the CEO and a mix of senior executives. The independent non-executive directors may interview proposed candidates for positions prior to their appointment.

Agenda and Management Information
The meeting looks at operational, people and governance performance and regulatory reports using its core standing items to form the agenda. Other ad hoc items can be added as business needs require by way of prior co-ordination with Company Secretariat. In particular, it receives reports from each core business unit to enable it to monitor progress against the strategic plan, and where applicable develop and propose material adjustments to the Board. It also maintains an oversight of transformation projects and other strategic initiatives.

Reserves Committee

Fundamental Purpose
The role of the Reserves Committee is to ensure that the Company maintains reasonable and adequate technical reserves and to oversee and manage all forms of reserving risk assumed or accepted by the Company. The Reserves Committee is part of the second line of defence.

Composition and Frequency of Meetings
The Reserves Committee is composed of each of the independent non-executive directors, the Chief Risk Officer, CFO, Chief Actuary, Head of Claims and key Profit Centre Managers ("PCM's"). The Committee meets at least quarterly, with more frequent meetings as required. Representatives from Group are invited to attend alongside other relevant staff.

Agenda and Management Information
Core components of the regular feeds into the Reserves Committee to enable it to fulfil its terms of reference include input from:

- Internal and external actuaries (e.g. on assumptions used to calculate technical reserves and sensitivity of projections),
- Underwriting on changes to areas such as policy conditions and pricing that could affect reserving levels,
- Claims on large loss events, weather events and other catastrophes, and
- Reports on social, legal and economic environmental changes that could impact future reserving levels.

Remuneration Committee

Fundamental Purpose
The Remuneration Committee has delegated responsibility from the Board to oversee the on-going appropriateness of the AIG Compensation Philosophy and its application to the company, pay and benefits of each of the executive directors, the Executive Committee and other Key Function Holders in line with the remuneration policy of the AIG Group.

The Remuneration Committee also considers and advises the Board on the application of the remuneration policy in relation to the executive directors and other Material Risk Takers specifically ensuring avoidance of incentive programmes that encourage employees to take unnecessary or excessive risk.

The Remuneration Committee also considers and advises the Board on the application of the remuneration policy of the AIG Group generally.

Composition and Frequency of Meetings
The Remuneration Committee is composed of three independent non-executive directors. The General Counsel, Head of HR and Head of Compensation and Benefits are standing invitees. The Committee meets at least twice per year, with more frequent meetings as required.

Agenda and Management Information
The Remuneration Committee reviews the design of the applicable AIG Group remuneration structure to ensure it is designed to:

- promote the long term success of the Company;
- ensure performance related elements are transparent, stretching and rigorously applied;
- be in accordance with standard market practice;
- be consistent with good risk management;
- meet regulatory requirements; and
- match the current financial situation and future prospects of the Company

Core components of the regular feeds into the Remuneration Committee to enable it to fulfil its terms of reference include input:

- reviewing and endorsing on behalf of the Board the application of the AIG Group's approved remuneration policy relating to the total remuneration (and its individual components) paid to the executive directors and Material Risk Takers;
- reviewing the AIG Group remuneration policy from time to time as approved by the AIG Group;
- monitoring the management, level and structure of remuneration for Executive Committee and other Material Risk Takers;

- considering the policy and principles designed by the AIG Group to be applied by management in relation to any annual performance related pay schemes, including Long Term Incentive Plans ('LTIP'), operated by the Company.
- reviewing and considering reports from the Human Resources Executive on the operation of the AIG Group's remuneration policy and its effectiveness as it affects AIGUK;
- reviewing reports from the HR Executive concerning the operation of the HR Department in relation to the setting of objectives and the monitoring of performance to support the application of the compensation philosophy particularly in terms of good risk management.
- ensuring Material Risk Takers remuneration in all its forms compares appropriately with the equivalent markets in their countries of employment;
- reporting to the Board at regular intervals on the matters it has reviewed making recommendations when requested or when they consider appropriate.

Internal Audit

The Board, senior management, Internal Audit, other second line functions, business managers and all colleagues have a shared commitment to maintain and enhance the integrity of the Company's control environment. Within the context of the control framework, auditing is an independent risk assessment function established within the organisation to evaluate, test, and report on the adequacy and effectiveness of management's systems of internal control, providing a third line of defence.

The purpose of these evaluations and tests is to:

- Assist the Audit Committee in executing their oversight responsibilities and,
- Provides an independent assessment of the Company's system of internal control, through reviewing how effectively key risks are being managed, and assists management in the effective discharge of its responsibilities by carrying out independent appraisals and making recommendations for improvement.

The Internal Audit function is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account the Company's activities, system of governance and risk management processes.

The Internal Audit function reports to the Audit Committee.

Maintaining Audit Independence
The Internal Audit function reports on the audit programme, its status, and the condition of the control environment directly to the Board through the Audit Committee. This reporting relationship which also includes audit plans, financial budgets and staffing considerations is designed to ensure the ongoing independence of the Internal Audit function in order to provide for the objectivity of its findings, recommendations and opinions.

The Head of Internal Audit is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel and is authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities.

Consistent with generally accepted professional internal auditing standards relating to independence, objectivity and authority, internal auditors are not to engage in developing or installing procedures or preparing records, or in any other activity which would normally be the subject of audits. Internal auditors are not to have direct responsibility or any authority over any of the activities or operations that they review. Internal auditors will assist management in maintaining adequate and effective systems of controls through objective appraisals, recommendations and control consultations.

Management of Accounting Policies and Significant Areas of Focus

Principal Accounting Policies

The Company actively manages and reviews its accounting policies in order to prepare its financial statements in accordance with Company law. The principal accounting policies of the Company are:

1. Basis of Preparation
2. Foreign Currency
3. Insurance Contracts

Further detail on all the adopted accounting policies can be found in Note 2 on page 58.

Principal Areas of Management Focus

The Company, largely through the Board Risk and Audit Committees, consider the following issues of most significance in the management of its business.

Loss Reserves

The Company's reserves provide for the estimated value of unsettled and unreported claims at the reporting date based on a thorough evaluation process undertaken using market-wide actuarial techniques and expert judgement, informed by historical data, claims expertise and external benchmarks.

The Company has ensured that management exercise appropriate judgement and control in estimating insurance contract liabilities including assessing the impact of claims trends and other influencing factors, and continuing to enhance the analytics underlying the reserve estimates.

However, the nature of these liabilities is inherently uncertain both in timing of reporting, settlement and quantum, and therefore it is likely that the final outcome will prove to be different from the original liability established, perhaps materially so.

This uncertainty manifests significantly in lines of business with longer reporting and settlement delays as well as those for which low-frequency large or catastrophic losses can occur, including new products. There is also systemic uncertainty arising from exposure to economic inflation, financial market movements, medical and technological developments, legislative changes and changes in policyholder behaviour.

We also note that the following specific areas of reserve uncertainty for the Company are as follows:

- Financial Lines: This is a key area of uncertainty given the current macro environment, and increased market and regulatory scrutiny of the banks which the Company insures.
- Liabilities: Ministry of Justice reforms and LASPO (Legal Aid, Sentencing and Punishment of Offenders Act), PPO claims, abuse and disease claims.
- General volatility in respect of specific large claims.
- Claims experience is subject to natural catastrophes across the world given the global exposure of risks underwritten by the Company. The frequency and severity of such events have a high degree of uncertainty associated with them;
- The impact of COVID-19 on claims behaviour and the wider impact on the global economy; and
- There is a higher level of uncertainty for the more recent accident years given their early stage in development.

Valuation of Investments

The majority of the Company's financial investments are carried at fair value. The fair value of a financial instrument is the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly arm's length transaction between willing and knowledgeable market participants at the measurement date. This policy applies to all available for sale debt instruments. For equity securities, short term investments and loans receivable, amounts are reported at cost in accordance with IAS 39. Further details can be found in Note 6.

Revenue Recognition

Insurance contracts are recognised, measured and reported in accordance with FRS 103 'Insurance Contracts'. A contract is recognised as an insurance contract if it involves the assumption by the Company of significant insurance risk. Insurance risk is transferred to the Company where it agrees to compensate a policyholder if a specified uncertain event, other than those caused by changes in a financial variable, such as interest and foreign exchange rates, adversely affects the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract until derecognised, even if the insurance risk becomes insignificant during this period.

Premiums written relate to business incepted during the year, together with any difference between premiums booked for prior years and those previously accrued. Premiums are stated net of insurance premium taxes and duties levied. Unearned premiums represent the proportion of premiums written that relate to periods of insurance coverage to be provided in periods subsequent to the reporting date. Unearned premiums are earned as revenue over the period of the contract and are principally calculated on a daily pro rata basis, unless there is a marked unevenness in the incidence of risk over the coverage period. In these cases, premiums are recognised based on the assessed incidence of risk.

Further detail can be found in Note 2.4.

The Company makes an estimate of premiums written during the year that have not yet been notified by the financial year end based on prior year experience and current year business volumes. The pipeline premium is booked together with an assessment of the related unearned premium reserve and an estimate of claims incurred but not reported. A test is performed of actual premium received against prior year pipeline premium accruals and the estimation process adjusted if necessary to increase the accuracy of the current year estimate.

Risk Management Report for the year ended 30 November 2020

Risk Management Framework

Overview

AIGUK believes that a strong, effective and embedded Risk Management Framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. We achieve this through a strong risk culture articulated by effective Enterprise Risk Management (ERM) senior leadership and embodied by management at all levels through our governance structure and risk management processes.

AIGUK's approach to risk-taking is quantified through its risk appetite statement which aligns the company's strategic business goals against the risks it faces, ensuring that these risks are maintained at levels consistent with the company's financial resources. This, in tandem with continuous management and monitoring of the company's capital position, ensures that the Company continues to manage its business in an environment of controlled, proportionate risk-taking to generate sustainable earnings and deliver long-term value for AIG's shareholders.

The Company's adherence to its quantified risk parameters is supported by ongoing risk identification exercises conducted across the company, the outputs of which are documented within a standing risk register framework, which captures the material risks that the company faces. Identified risks are then managed through the application of a set of policies aligned to AIG's global corporate policies and define risk management processes and controls adopted across our business.

The impact of these risk management and risk mitigation activities is given appropriate context through the utilisation of risk management information, which includes the results of our stress testing programs as well as periodical risk reporting assessments provided to executive risk committees, thereby allowing senior management to take the appropriate decisions required to manage the Company as a risk-aware business.

The Board, via the Board Risk Committee, has ultimate responsibility for development and oversight of the Risk Management Framework; the Board delegates the management of risks within AIG UK's risk appetite and the risk governance framework to the Risk and Capital Committee (RCC). The RCC escalates matters of importance to the Board Risk Committee as needed. A diagram covering the key aspects of the Risk Management Framework is provided below:

- **Risk Appetite**: Management's approach to risk taking will be quantified through the Company's Risk Appetite Statement which will define the level of risk that the Company is prepared to accept in pursuit of its business objectives. In particular, it describes the relationship between risk and reward.

- **Risk Register**: Risks identified will be documented within the Company's Risk Register. The Company will have in place a three-tier structure for the capture, discussion and assessment of risks. The three tiers will comprise of entity level risks (tier 1), executive committee level risks to be managed by the respective risk committees (tier 2) and control risks (tier 3).

- **Solvency II Internal Model**: The primary function of the Internal Model is as a tool for risk management. It is designed to ensure that all the material quantifiable risks which the company is exposed are captured. Other key uses of the model will include capital management, insurance portfolio management, reinsurance management and investment management.

- **ORSA**: An Own Risk and Solvency Assessment ('ORSA') is produced for the company at least once a year for use by management and for the regulator. The ORSA provides an assessment of the risk profile and capital needs of the company including a forward looking view over the planning horizon, including stress testing results.

- **Risk Monitoring**: ERM continuously monitor the risks identified in the risk management information, which will include results of stress testing programs as well as periodical risk reporting assessments, will be provided to the company's management thereby allowing them to take the appropriate decisions required to manage the company as a risk-aware business.

- **Stress Testing**: As part of its Risk Management Framework, the Company undertakes stress and scenario testing across the business to determine the profit & loss impact on the company. Stress testing provides valuable input for the Company through informing senior management of how simulated 'real life' events create risks that ultimately impact the Company's capital position.

- **Business Plan Risk Review**: ERM perform a detailed annual review of the company's Business Plan which will include retrospective review of prior year's Budget against actuals, assessment of the Company's capital adequacy over the planning horizon, stress and scenario testing and qualitative deep dives across each of the Company's key risk areas. The outputs of this review will be submitted to the Board alongside the annual Business Plan. Risk hotspots identified from this assessment will be recorded, graded and subject to ongoing monitoring and reporting to the RCC and Board Risk Committee.

The Risk Management Framework supports the identification, measurement, management, monitoring and reporting of our major risk groupings, which include but are not limited to:

- Insurance Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Credit Risk
- Technology Risk
- Business & Strategy Risk

Risk Culture

AIGUK has an ongoing commitment towards maintaining an effective risk culture as it is critical to our success in maintaining and developing an effective risk management system. The five key elements which underpin the risk culture are:

1. Visible Leadership

Senior management takes an active role in promoting the Risk Management Framework. The Company has a framework of risk committees, risk reporting and controls embedded in the business. The principal risk committees of the Board and management are designed to support AIGUK's efforts in embedding a strong risk culture through the integration of risk management with business activities.

2. Communication

Internal communication to all levels of management and staff to describe and inform (to an appropriate level of detail) the risk framework (strategy and governance), risk policies/procedures and the company risk profile. The Risk Governance Framework strives to provide information on the impact of risk management operations and the current risk profile. Without effective communication of the Company's Risk Profile, key stakeholders within the business will not be able to make appropriate decisions required to manage the company as a risk-aware business.

3. Involvement

Appropriate contribution at all levels of management and staff to the processes of identifying, assessing, managing, monitoring and reporting risks. All employees have a responsibility to manage risk. AIGUK utilises the "Three Lines of Defence" model for risk management:

Three Lines of Defence	
First Line of Defence	Composed of those profit centres and corporate functions that originate risks and have primary responsibility for managing risks, including identifying, assessing, controlling, monitoring, and reporting risk quantities.
Second Line of Defence	Composed of ERM and other assurance functions, such as Compliance, which perform independent risk assessments; ERM, as an independent function, undertakes a review and challenge covering the First Line of Defence.
Third Line of Defence	The Internal Audit Group (IAG) comprises the independent assurance provided to the Audit Committee. IAG undertakes a programme of risk-based audits covering aspects of the First and Second Line of Defence.

4. Compensation

Alignment of incentives to risk management objectives and use of risk adjusted performance measures to evaluate performance.

5. Professional Development

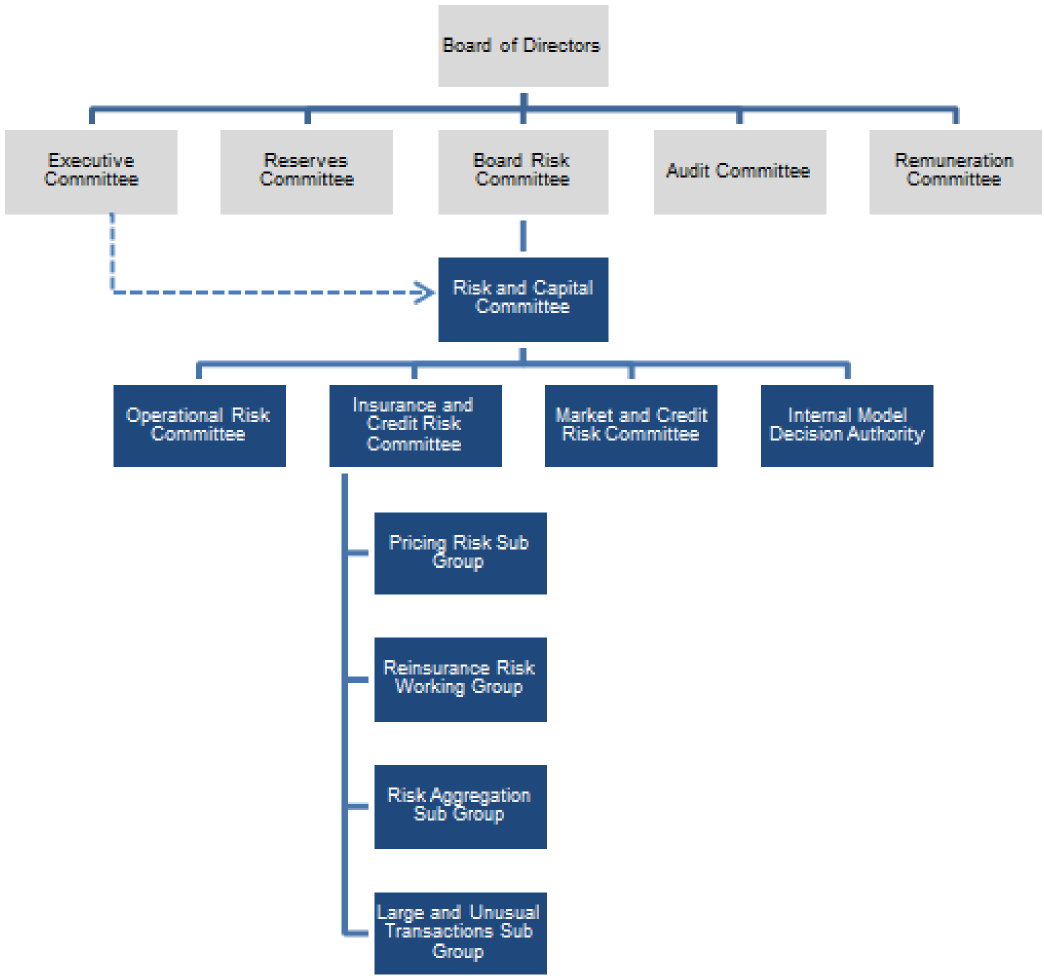
Provision of information and appropriate levels of training to elevate individual competencies, and thereby organisational capabilities, in risk management across the Company.

The Board believes that an effective risk culture must achieve an effective blend of both constraints and incentives.

Risk Governance

Underpinning the company's risk culture is a Risk Governance structure that encompasses its principal business operations and risk areas and defines a framework of risk committees, risk reporting and risk controls embedded throughout the business.

The current risk governance structure provides an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed at a regional level, utilising outputs from the Economic Capital Model (ECM) where appropriate. The organisation chart below provides a high-level overview of the risk governance structure:



The governance structure has three distinct levels of committees, Board committees, Executive Risk committees and working groups and is designed to support the Company's efforts in embedding a strong risk culture through the integration of risk management with regulatory requirements and business activities such as strategy and planning. Each of these committees and working groups have a distinct role to play within the Risk Governance Framework.

Responsibilities of the Executive Risk Committees

The Executive Risk Committees currently comprise the RCC, which reports to the Executive Committee and the Board Risk Committee. The RCC is authorised by the Board Risk Committee to implement, manage and control the Risk Management Framework.

In order to fulfil this wide-ranging responsibility, the RCC has delegated responsibility to three risk-specific committees (Insurance, Market & Credit and Operational) to monitor and manage the Company's risk profile in each of these areas at a more granular level. Credit Risk has its relevant components reported at the Insurance and Market & Credit Risk Committees respectively. Each Committee is chaired by a member of the Executive Committee. Other members include relevant business heads, risk experts from ERM and actuarial expertise from the ECM team.

The Executive Risk Committees share three core responsibilities:

1. General Risk Oversight
The Executive Risk Committees are responsible for the identification of new and emerging risks, reviewing Risk MI to determine the likelihood of risks crystallising, continually reviewing and updating risks and associated mitigating controls within the Risk Register and discussing loss events, with a view to determining remediation plans in order to minimise the severity and frequency of such events.

2. Internal Model Oversight and Validation
The Executive Risk Committees are furthermore responsible for providing oversight over the ECM, with a view to ensuring that the model's design, implementation and resultant outputs are and continue to be appropriate for direct business decision making and is in alignment with business knowledge and recent experience.

In addition, the Executive Risk Committees also share a responsibility for providing oversight over the Internal Model (IM), with a view to ensuring that the IM expert judgements and resultant outputs are in line in expectations based on business performance as well as making recommendations on the maintenance of and changes to the Internal Model.

3. Monitoring of the Risk Profile
Executive Risk Committees are required to monitor and take business decisions on the current and future risk profile that relates to their respective risk area. This ensures that compliance with the company's risk appetite is maintained. The Committees address this responsibility through execution of the following activities:

- The monitoring of risk exposures through Risk Management Information provided to each meeting.
- To review and determine changes in risk limits and the appetite for loss within their specific risk area, utilising the latest ECM outputs, and to pass their recommendations up for approval.
- Continuous re-assessment of all relevant risks and associated mitigating controls to identify whether the control framework around each is sufficient to keep each risk within the risk appetite.

The RCC also delegates responsibility to the Internal Model Decision Authority (IMDA) to cover specific aspects of risk management that is concerned with the effective operation and utilisation of the ECM:

- The IMDA acts as an advisory panel for the RCC, providing detailed technical oversight of ECM related activities and any issues that may emerge. The IMDA also advises the RCC on technical aspects of the ECM to aid in shaping the risk profile of the company.

In addition, the Product Development Forums oversee profit centres' adherence to product development controls and processes, thus helping to ensure that associated Conduct Risk issues pertaining to development and launch of new products is appropriately managed. ERM is also represented in these forums.

Responsibilities of Working Group Committees
There are several working groups that focus on aspects of Insurance Risk and report up to the Insurance Risk Committee on any recommendations and findings undertaken as a result of the execution of their responsibilities. The responsibilities of each committee are as follows:

- **Pricing Sub Group –** To ensure underwriting adherence to technical pricing, to drive improvements in rating strength and pricing integrity and to monitor and analyse the pricing risk profile.
- **Reinsurance Sub Group –** To set the reinsurance strategy and to recommend reinsurance treaty structures.
- **Risk Aggregation Sub Group –** The aggregation and analysis of risk accumulation of key perils.

In addition, a Large and Unusual Transaction (LUT) referral group in place, which convenes to consider transactions that meet or exceed set trigger levels in relation to the Risk Profile before the Company becomes committed. The LUT is an ad hoc meeting of the RCC.

Risk Appetite

The Company believes that strong, effective and embedded risk management is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. The Company achieves this through a strong risk culture articulated by its senior leadership and embodied by management at all levels of the organization through AIG's governance structure and risk management processes and frameworks, including its Risk Appetite Framework.

The Risk Appetite Framework integrates stakeholder interests, strategic business goals and available financial resources. It is intended to balance these interests, goals and resources by taking measured risks that generate repeatable, sustainable earnings and produce long-term value.

The Risk Appetite Framework also includes a Statement of Risk Appetite and a set of supporting tools employed to manage its risk profile and financial resources. Specifically:

- A Statement of Risk Appetite that articulates the company's philosophy and principles of risk taking in relation to its strategic and business objectives;
- A set of Risk Tolerances on capital and liquidity measures as quantitative measures of its aggregate risk taking.
- A Risk Limits Framework to quantitatively monitor, measure and control risks that are core to our operations; and
- Control measures including policies and procedures that set standards on practices for the taking and management of the company's risks, including risks that are inherent to its operations but are not compensated for. The company has adopted the AIG Group's policies and procedures.

The Risk Appetite Framework needs to be flexible and reactive to the changing market conditions, AIG and the Company's financial strength, and the competitive landscape. Therefore, the Statement of Risk Appetite, Risk Tolerances and Risk Limits will be reviewed and updated at least annually.

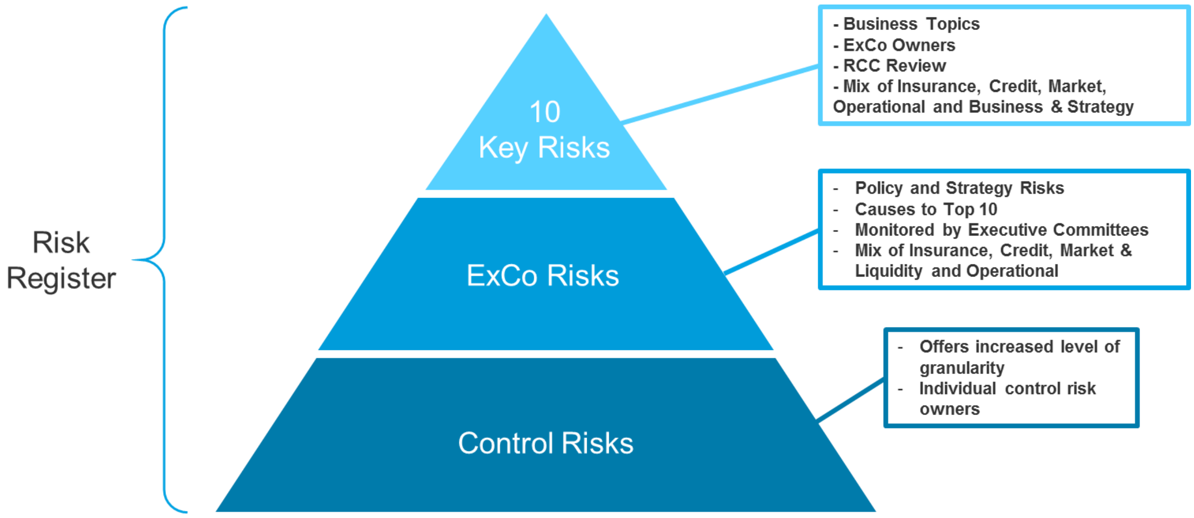
The risk appetite aligns to the wider AIG Risk Appetite Framework, through a consistent articulation of risk types, capital thresholds and risk tolerances & limits.

Risk Register

There is a three-tier structure in place for the capture, discussion and assessment of risks. The current three-tier structure is described below:

- Tier 1: Comprised of the entity level key risks, spanning the whole of the Company's operations. These risks are owned at the RCC level.
- Tier 2: Comprised of granular executive owned risks which are managed through the Executive Risk Committees reporting up to the RCC (being the Insurance, Market and Operational Risk Committees).
- Tier 3: Comprised of control risks; these support executive owned risks with enhanced granularity and are designed to mitigate the frequency and/or severity of a given risk. The more effective a key control is, the greater its ability to mitigate the impact of the risk it is linked to. The reverse is also true.

The risks identified at Tier 2 and Tier 3 levels are designed to align to the entity level key risks identified for Tier 1. This enables the company to maintain a dynamic, interactive, risk register structure, where issues or developments within specific risks at a certain level are discussed and considered for relevant risks within the other tiers. This also allows the company to better reflect the dynamic, ever-changing, risk landscape that it currently operates within. A diagram of the three levels of risk is provided below for illustration purposes:



Tier 1: Entity Level Key Risks

The entity level Key Risks are designed to align to the five main risk categories of Insurance, Market, Operational, Credit and Business/Strategy Risk. This allows the company to produce risk dashboards for the RCC, Executive Committee and Board Risk Committee covering all these key risks, as well as a more detailed report for each relevant Risk Committee.

Tier 2: ExCo Risks

The entity level key risks within Tier 1 are then broken down into more granular Executive Committee risks. These Executive Committee risks are managed by the respective Insurance, Market and Operational risk committees, with cross-cutting Business/Strategy Risks managed at the RCC. Each of these risks has several potential causes and controls which require review and management, interacting with global and regional support functions. These Executive Committee risks are supported by specific tailored Key Risk Indicators for use in committee decision making.

Risk Register Platform

The Company Risk Register incorporates risk assessments for all of the entity-level key risks and second-tier ExCo-level risks, as well as details of risk owners, sub-owners and underlying controls for the ExCo-level risks with the ability to view a real-time overview of the risk profile. The Register is updated quarterly by the Heads of Insurance, Market, Credit and Operational Risk in consultation with relevant risk and control owners and is discussed within individual executive risk committees, before being incorporated within reporting to the RCC and the Board Risk Committee.

Independent auditors' report to the members of American International Group UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, American International Group UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2020 and of its loss 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 November 2020; the Statement of Comprehensive Income; and the 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.

Our opinion is consistent with our reporting to the Audit Committee.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 13.2 to the financial statements, we have provided no non-audit services to the company in the period from 1 December 2019 to 30 November 2020.

Our audit approach

Overview

- Overall materiality: £22,200,000 (2019: £21,724,000), based on 1% of Gross premiums earned.

- The scope of our audit is driven by statutory and regulatory requirements in the UK. Our audit objective is to obtain sufficient relevant and reliable audit evidence to enable us to issue opinions on the statutory financial statements.
- As part of our audit, we focused on balances and disclosures which represented a risk of material misstatement to the users of the financial statements.

- Appropriateness of methodologies and assumptions applied in the valuation of claims outstanding including IBNR ('claims outstanding').
- Risk of inappropriate revenue recognition (including fraud risk).
- Impact of COVID-19

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Prudential Regulation Authority's ('PRA') and Financial Conduct Authority's ('FCA') regulations, 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 preparation of 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 critical accounting estimates that may be misstated. Audit procedures performed by the engagement team included:

- Discussions with the Audit committee, management, internal audit and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with regulatory authorities (the PRA and FCA) in relation to compliance with regulations;
- Testing the design and operating effectiveness of selected internal controls designed to prevent and detect material misstatement;
- Reviewing relevant meeting minutes including those of the Board, Audit and Reserves Committees;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Performing targeted procedures with regards to critical accounting estimates, including those identified in the key audit matters below; and
- Identifying and testing journal entries, particularly any journal entries posted with unusual account combinations or those which appear to be instructed by senior management without clear rationale.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Appropriateness of methodologies and assumptions applied in the valuation of claims outstanding including IBNR ('claims outstanding') *Refer to Note 3.1 Critical Accounting Estimates and Judgements - Liability for unpaid claims and loss adjustment expenses; and Note 22 Technical Provisions*	
Claims outstanding is a material balance within the financial statements and is also highly judgemental and complex to calculate, particularly with respect to the determination of the provision for IBNR. The claims outstanding are a best estimate of all claims incurred but not settled at a given date, regardless of whether these have been reported to the Company. There are varying methods which can be adopted in the determination of the claims provisions which are underpinned by a series of assumptions selected by	We conducted the following procedures: • We tested on a sample basis the underlying source data to supporting documentation. • We performed independent re-projections on selected classes of business. For those classes, we compared our re-projected claims provisions to those booked by management. • For other significant classes of business we sought to understand the methodology used by the Company as well as the rationale for

the Company. These can rely on a large degree of judgement and relatively small changes in these assumptions can lead to significant movements in the overall balance.

Particular areas of focus for this year have been on lines of business that have been impacted by the COVID-19 pandemic such as Business Interruption (BI) cover on Property policies, as well as lines with longer development patterns and greater estimation uncertainty and/or significant balances, such as Financial and Casualty lines.

key assumptions and judgements made. We applied our industry knowledge and experience to determine whether these were in line with recognised actuarial techniques and market practice.

- For the remaining classes we have performed key indicator testing (such as actual versus expected analysis compared to movement in ultimate losses on prior accident years, and current year loss ratio analysis) and corroborated explanations for all unexpected diagnostic results.
- We considered the consistency between the assumptions audited as part of the procedures described above, and those adopted in management’s assessment for whether a premium deficiency reserve / unexpired risk reserve is required.
- We evaluated the Company's previous estimates through examination of prior year development and noted no material development, except for the significant prior year development within financial lines, following adverse experience seen across the market over the course of the year. We have assessed management’s response, including the strengthening of prior year reserves on relevant underwriting years.
- With respect to COVID-19 losses, we assessed the lines of business written by the company and performed sensitivity analysis, applying market benchmarking where available, to consider the risk of understatement of losses incurred but not reported.
- We have performed additional targeted procedures with respect to management’s assessment of the exposure to Property BI COVID-19 losses, including particular consideration of the outcomes from the FCA test case judgment announced on 15 September 2020, and appeal judgment announced on 15 January 2021. This included discussions with personnel from Actuarial, Claims, and internal legal counsel to understand the process undertaken, and sampling relevant BI policy groupings in order to inspect the underlying policy wording and corroborate key assumptions, including policies which are not considered to provide indemnity.

From the evidence obtained we were satisfied that the assumptions and methodology applied in the valuation of claims outstanding are appropriate in aggregate across all classes and were supported by the evidence we obtained.

Risk of inappropriate revenue recognition (including fraud risk)
Refer to Note 3.2 Critical Accounting Estimates and Judgements - Pipeline premiums and associated loss revenue; and Note 8 Analysis of Technical Account

The Company recognises a material amount of pipeline premiums in its financial statements. To estimate pipeline premiums, the Company applies an actuarial technique (the 'chain ladder method') to historic written premium data in order to derive written premium development factors. Judgemental adjustments are also made in determining the derived written premium development factors.

In addition, the Company manually adjusts for premium earning patterns for certain classes of business where, based on the incidence of risk, they are not earned evenly over the policy period.

Targeted procedures are performed over pipeline premiums and non-standard earning patterns, including:

- We understood, evaluated and tested the design and operating effectiveness of the controls over the monitoring of pipeline premiums. In particular we have focused on management's monitoring controls of pipeline premium forecasts and premiums received to date. We additionally perform a substantive 'look back' test to assess the accuracy of management's previous estimates.
- We have tested the methodology adopted in the calculation of pipeline premiums including recalculation of development factors.
- We have understood all material adjustments made to development factors in the determination of pipeline premiums and considered whether these have been made appropriately.
- We have tested all material adjustments made to standard premium earning patterns. We have assessed the reasonableness of the adjustments made, considering the nature of the underlying classes of business and the incidence of risk.

No material exceptions were identified from the procedures performed above.

Impact of COVID-19
Refer to Note 2.1 Basis of Preparation; and Note 3.1 Critical Accounting Estimates and Judgements - Liability for unpaid claims and loss adjustment expenses

The COVID-19 global pandemic continues to evolve, with unprecedented socioeconomic impact and ongoing uncertainty in financial markets. The pandemic has led to a recession in the United Kingdom and the efficacy of government measures is likely to materially influence the length of future economic disruption.

The most significant impact to the Company's financial statements has been in relation to the valuation of claims outstanding. This is described in the key audit matter above.

Management has also considered the impact to the valuation of material assets in the financial statements, particularly in relation to the valuation of the Company's investment portfolio.

In order to assess the impact of COVID-19 on the wider business, management have updated their risk assessment and prepared an analysis of the

We conducted the following procedures:

- We evaluated management's assessment of critical accounting estimates that could be materially impacted by COVID-19, including estimates involved in the valuation of claims outstanding. Our work in respect of COVID-19 claims outstanding is explained in our key audit matter above.
- We have confirmed the existence of investments directly with third parties where appropriate, and have obtained independent third party prices, where available. We have also evaluated the fair value of any material unquoted investments, taking into consideration the implications of COVID-19.
- We assessed management's going concern analysis in light of COVID-19 and evaluated management's base case and downside scenarios, including management's planned mitigating actions. We challenged and

potential impact, with a focus on gross written premium, net loss ratios, cash flows, liquidity and the solvency position of the company for at least 12 months from date of signing.

Management has modelled possible downside scenarios to its base case forecast. Having taken into account these models, together with an assessment of planned and possible mitigating actions, management has concluded that the Company remains a going concern and there is no material uncertainty in respect of this conclusion.

corroborated the key assumptions, considering their consistency with other available information and our understanding of the business obtained from the audit.

- We reviewed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the principal risks set out in the Strategic Report, and assessing their consistency with the financial statements and the evidence we obtained in our audit.

Based on our procedures and the information available at the time of directors' approval of the financial statements, we have not identified any additional matters to report with respect to both management's and the Board's consideration of the impact of COVID-19 on the current and future operations of the company. We have not identified any material uncertainty with respect to the going concern assumption.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company is a UK domiciled insurer and the financial reporting includes two business divisions which we treat as components. In determining the scope of the audit, we performed risk assessment procedures which included understanding each of the components' business operations, internal control environment and process for the preparation of financial information. We applied our materiality benchmark across each component to identify which components were financially significant to the audit of the Company.

Based on the outputs of our risk assessment, we identified one individually financially significant component being the Company's UK operations, and performed a full scope audit of this component.

We identified the Company's Lexington business division as a further component where certain account balances were considered to be significant in size or audit risk at the financial statement line item level in relation to the Company, and scoped the audit of this component by performing audit procedures over these specific line items.

The Company has also established certain operational shared service centres overseas. This includes global shared services in the US such as the Investment Accounting Group, and a back-office finance function in India which processes transactions and performs certain financial control activities to support the production of the Company's financial information. Specified procedures were performed over these shared service centres respectively.

Where the work was performed by auditors of shared service centres, we determined the level of involvement we needed as the Company audit team in the audit work of those auditors. This enables us to conclude whether sufficient and appropriate audit evidence has been obtained as a basis for our opinion on the financial statements as a whole. We maintained regular and timely communication with shared service centre audit teams, including phone calls, review of workpapers, discussions and written instructions, where appropriate.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£22,200,000 (2019: £21,724,000).
How we determined it	1% of Gross premiums earned.
Rationale for benchmark applied	We believe that Gross premiums earned is a key measure used by the shareholders in assessing the performance of the Company, provides a consistent basis from which to determine our materiality, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,110,000 (2019: £1,086,200) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 30 November 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 directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 28, 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.

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 received 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 9 February 2018 to audit the financial statements for the year ended 30 November 2018 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 November 2018 to 30 November 2020.

Mark Bolton

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
09 March 2021

Statement of Comprehensive Income

For the year ended 30 November 2020

Technical Account

	Notes	Year ended 30 November 2020 £'m	Year ended 30 November 2019 £'m
Technical Account - General Business			
Gross premiums written	8	2,249.7	2,132.3
Outward reinsurance premiums		(1,062.5)	(1,002.2)
Net premiums written		**1,187.2**	**1,130.1**
Change in the gross provision for unearned premiums		(29.1)	45.5
Change in the provision for unearned premiums - reinsurers' share		11.3	38.5
Earned premiums - net of reinsurance		**1,169.4**	**1,214.1**
Allocated investment return transferred from the non-technical account	10.2	113.3	116.4
Claims paid - gross	8	(1,446.4)	(2,046.2)
Claims paid - reinsurers' share		546.1	980.1
Change in the provision for claims - gross	8	140.5	31.6
Change in the provision for claims - reinsurers' share		(254.4)	221.2
Claims Incurred - net of reinsurance		**(1,014.2)**	**(813.3)**
Acquisition costs		(345.4)	(333.4)
Change in deferred acquisition costs		11.1	(24.1)
Administrative expenses	9	(105.6)	(159.2)
Reinsurance commissions		146.8	152.7
Net operating expenses		**(293.1)**	**(364.0)**
Balance on technical account for general business		**(24.6)**	**153.2**

Statement of Comprehensive Income (continued)
For the year ended 30 November 2020

Non-Technical Account

	Notes	Year ended 30 November 2020 £'m	Year ended 30 November 2019 £'m
Non-Technical Account			
Balance on the technical account for general business		**(24.6)**	**153.2**
Income from other investments	10.1	113.6	125.5
Gains on the realisation of investments		17.5	6.3
Investment Income		**131.1**	**131.8**
Investment expenses and charges		(17.8)	(15.4)
Allocated investment return transferred to the general business technical account	10.2	(113.3)	(116.4)
Other income	11	18.5	33.2
(Loss)/profit on ordinary activities before tax		**(6.1)**	**186.4**
Tax on (loss)/profit on ordinary activities	12	(1.7)	(39.6)
(Loss)/profit on ordinary activities after tax		**(7.8)**	**146.8**
(Loss)/profit for the financial year		**(7.8)**	**146.8**
Statement of Other Comprehensive Income			
Unrealised gains on investments		76.4	110.9
Currency translation differences		(36.5)	(17.3)
Actuarial gains/(losses) on defined benefit pension schemes		3.5	(8.9)
Other Comprehensive Income		(17.8)	(7.9)
Taxation in respect of items of other comprehensive income	12.3	(3.3)	(18.4)
Other comprehensive income for the year		**22.3**	**58.4**
Total comprehensive income for the year		**14.5**	**205.2**

Total comprehensive income for the year is entirely attributable to the sole shareholder of the Company and is derived from continuing operations. All amounts included within other comprehensive income, with the exception of actuarial gains and losses on defined benefit schemes and gains on revaluation of property, and associated tax, are potentially items that may be reclassified subsequently to the Statement of Comprehensive Income.

The notes on pages 58 to 102 form an integral part of these financial statements.

Balance Sheet
As at 30 November 2020

	Notes	30 November 2020 £'m	30 November 2019 £'m
Assets			
Intangible Assets	14	9.8	5.9
Investments			
Property and Equipment	15	107.9	111.0
Investments in group undertakings and participating interests	16	19.0	19.1
Other Financial Investments			
Debt securities and fixed income securities	17	4,273.0	4,231.0
Loans	17	268.0	275.0
Reinsurers' Share of Technical Provisions			
Claims outstanding including IBNR and LAE	18	1,563.8	1,805.8
Provision for unearned premiums	18	408.7	397.7
Debtors			
Debtors arising out of direct insurance operations	19	745.5	693.4
Debtors arising out of reinsurance operations	19	138.7	205.8
Other debtors	19	51.1	78.0
Taxation			
Current tax asset	23	4.5	-
Deferred tax asset	23	41.0	37.6
Other Assets			
Cash at bank and in hand	20	198.0	152.6
Other	20	85.1	75.8
Prepayments and Accrued Income			
Accrued interest and rent		37.3	40.7
Deferred acquisition costs		145.9	139.1
Total Assets		**8,097.3**	**8,268.5**

Balance Sheet (continued)
As at 30 November 2020

	Notes	30 November 2020 £'m	30 November 2019 £'m
Capital and Reserves			
Called up share capital	21	15.3	15.3
Share premium account	21	1,063.7	1,063.7
Other reserves	21	86.1	67.3
Profit and loss account	21	662.9	663.1
Total Equity		**1,828.0**	**1,809.4**
Liabilities			
Technical Provisions			
Claims outstanding including IBNR and LAE	22	4,427.5	4,572.3
Provision for unearned premiums	22	1,082.2	1,057.4
Provisions for Other Risks			
Other provisions		15.7	19.3
Taxation			
Current tax liability	23	-	15.8
Deferred tax liability	23	44.9	33.8
Deposits received from reinsurers		56.8	61.0
Creditors			
Creditors arising out of direct insurance operations	24	79.2	78.0
Creditors arising out of reinsurance operations	24	330.0	278.7
Other creditors including taxation and social security	24	233.0	342.8
Total Liabilities		**6,269.3**	**6,459.1**
Total Equity and Liabilities		**8,097.3**	**8,268.5**

The notes on pages 58 to 102 form an integral part of these financial statements.

The financial statements on pages 53 to 102 were approved by the Board of Directors on 26 February 2021 and were signed on its behalf by:

R O'Malley

Romaney O'Malley
Chief Financial Officer
09 March 2021

Statement of Changes in Equity
For the year ended 30 November 2020

	Called up share capital	Share premium account	Other reserves	Profit and loss account	**Total shareholders' funds**
	£'m	£'m	£'m	£'m	£'m
At 1 December 2018	-	3.7	-	-	**3.7**
Transfer in on group restructuring	15.3	1,060.0	-	518.3	**1,593.6**
Profit for the year	-	-	-	146.8	**146.8**
Other comprehensive income	-	-	67.3	(8.9)	**58.4**
Equity settled share based payment schemes	-	-	-	6.9	**6.9**
At 30 November 2019	**15.3**	**1,063.7**	**67.3**	**663.1**	**1,809.4**
Loss for the year	-	-	-	(7.8)	**(7.8)**
Other comprehensive income	-	-	18.8	3.5	**22.3**
Equity settled share based payment schemes	-	-	-	4.1	**4.1**
At 30 November 2020	**15.3**	**1,063.7**	**86.1**	**662.9**	**1,828.0**

The notes on pages 58 to 102 form an integral part of these financial statements.

1 GENERAL INFORMATION

American International Group UK Limited (the "Company") is incorporated in the United Kingdom and registered in England and Wales and is limited by shares. The financial statements are presented in millions of pounds sterling, which is the Company's presentational currency. The functional currency of the UK operation is pounds sterling. The Company's immediate and ultimate parents are AIG Holdings Europe Limited and American International Group, Inc ("AIG") respectively. The Company is a multiple line general insurance company writing substantially all lines of property and casualty insurance. Major lines of insurance written include commercial, personal insurance, accident and health and specialty coverage.

The registered office and principal place of business is: The AIG Building, 58 Fenchurch Street, London EC3M 4AB. These financial statements have been authorised for issue by the Board of Directors on 8 March 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted 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. The financial statements incorporate the assets, liabilities and results of the Company and are drawn up to 30 November each year.

2.1 Basis of Preparation

The financial statements have been prepared in compliance with the Companies Act 2006 and the requirements set out in Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as they relate to insurance companies. The Company's financial statements have been prepared in compliance with Financial Reporting Standard ("FRS") 102, *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102) and FRS 103, *Insurance Contracts* (FRS 103).

The Financial Statements have been prepared under the historical cost basis except that certain assets and liabilities are measured at revalued amounts or fair values, as described in the accounting policies below.

The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales. The primary economic environment within which the Company operates is the United Kingdom, and therefore, its functional and presentational currency is Pounds Sterling. Items included in the Company's financial statements are measured and presented in Pounds Sterling.

The financial statements are separate financial statements and contain financial information related to the Company as an individual Company and do not contain consolidated financial information related to the Company being the parent of a group.

The Company has taken advantage of section 401 of the Companies Act 2006, which exempts an intermediate parent company that is a subsidiary of a parent established outside the UK, from the requirement to prepare consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn up in a manner equivalent to consolidated financial statements produced in accordance with the provisions of the EU Seventh Directive as modified, where relevant, by the provisions of the Bank Accounts Directive or Insurance Accounts Directive (the EU Seventh Directive). The Company and all of its subsidiary undertakings are included in the consolidated financial statements of American International Group Inc., a company incorporated in the State of Delaware, United States of America. It has been determined that, for the years presented, these consolidated financial statements, prepared in accordance with US GAAP, are drawn up in a manner equivalent to the EU Seventh Directive. The Company has therefore not prepared consolidated financial statements.

The financial statements have been prepared considering the Application Guidance in FRS 100, Application of Financial Reporting Requirements. The Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes;
- Reconciliation of the number of shares outstanding at the beginning and the end of the period;
- From disclosing detailed transactions with related parties that are wholly owned subsidiaries within the AIG Group;
- Share-based payment arrangements; and
- Compensation paid to key management personnel.

The Directors have considered all available information, including an assessment of available financial resources supported by prudent investment principles, a high quality of invested assets, sound underwriting procedures, a strong control and risk mitigation environment (including, but not limited to, the use of reinsurance) and the support of a financially strong parent company and believe that the Company is well placed to manage it business and operational risks successfully.

Whilst there has been an impact of COVID-19 on the financial performance thus far, the Company is confident that it has the strength, liquidity and strategy to improve on the performance in the coming years and with the benefits, experience and scale of the AIG group, the Company has considerable financial resources together with long-term contracts with customers and suppliers across the UK.

As a consequence, the Directors are confident that the Company is well placed to manage its business risks and has adequate resources to continue in operational existence for a period of at least twelve months from the date these financial statements are signed. Accordingly, the Company continues to prepare its financial statements on a going concern basis.

2.2 Combinations of Entities or Businesses Under Common Control

A combination of entities or businesses under common control is a combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory, and any non-controlling interests are unaltered by the transfer. The Company would apply the merger accounting method to account for combinations of entities or businesses under common control. The values that the transferee ascribes to the assets and liabilities transferred are not adjusted to fair value, being determined based on the carrying values of those assets and liabilities in the financial statements of the transferor immediately prior to the combination, amended where applicable to comply with the transferee’s accounting policies.

2.3 Foreign Currencies

2.3.1 Functional Currencies – The functional currency of the Company and its UK branch is UK pound sterling. The Company’s Lexington business division has a functional currency of US dollar. Transactions and balances in currencies other than the functional currency are treated as foreign currency items.

2.3.2 Foreign Currency Transactions and Balances - Foreign currency transactions during the year are translated into the functional currency using the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling at the reporting date. Non-monetary assets and liabilities are translated into functional currency at the rates of exchange prevailing at the date of the transaction or most recent date of valuation where they are held at fair value.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation of foreign currency denominated monetary assets and liabilities at year end exchange rates are recognised in the Statement of Comprehensive Income except as noted below.

For foreign currency denominated monetary assets designated as available-for-sale, such as debt securities, translation differences calculated with reference to the asset's amortised cost are recognised in the Statement of Comprehensive Income, whereas foreign exchange differences arising on the cumulative fair value gains and losses are recognised in other comprehensive income and included within the fair value reserve within equity. Translation differences on non-monetary available-for-sale financial assets, such as equity securities, are recognised within other comprehensive income as part of the fair value gains and losses in the year.

2.3.3 Translation to Presentational Currency - The operating results and financial position of the non-sterling functional currency division are translated into sterling as follows:

- Assets and liabilities for each Balance Sheet category presented are translated at the exchange rate at the date of each Balance Sheet;
- Income and expenses for each Statement Of Other Comprehensive Income presented are translated at the average exchange rates for each year; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

For large, one-off transactions, such as branch acquisitions, the transactions are recorded at the exchange rates prevailing at the date of the transaction.

2.4 Insurance Contracts

The Company follows the FRS 103 'Insurance Contracts' standard where this is relevant to insurance contracts (including reinsurance contracts) that the entity issues and reinsurance contracts that the entity holds, and to other financial instruments that the entity issues with a discretionary participation feature.

Under this standard, all balances are specifically stated as being monetary items for the purposes of accounting for non-functional currency denominated transactions.

2.4.1 Product Classification - A contract is recognised as an insurance contract if it involves the assumption by the Company of significant insurance risk. Insurance risk is transferred to the Company where it agrees to compensate a policyholder if a specified uncertain event, other than those caused by changes in a financial variable, such as interest and foreign exchange rates, adversely affects the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract until derecognised, even if the insurance risk becomes insignificant during this period.

Any contract that does not involve the transfer of significant insurance risk is accounted for as an investment contract. Transactions under investment contracts are not recognised through the Statement of Comprehensive Income, with the exception of any fee income and related claims handling costs associated with these contracts, but are included within Debtors arising out of direct insurance operations or Creditors arising out of direct insurance operations as appropriate.

2.4.2 Gross Premiums Written - Gross premiums written relate to business incepted during the year, together with any difference between premiums booked for prior years and those previously accrued. Premiums are stated net of insurance premium taxes and duties levied. As premium refunds become payable, they are accounted for as adjustments to gross premiums written in the year in which the refund is payable. Pipeline premiums – which are an estimate of premiums written during the year that have not yet been notified by the financial year end – and premiums collected by intermediaries but not remitted to the Company are determined based on estimates from underwriting or prior experience and are included in premiums written during the year. Further detail on the treatment of pipeline premiums can be found in note 3.2.

2.4.3 Unearned Premiums - Unearned premiums represent the proportion of premiums written that relate to periods of insurance coverage to be provided in periods subsequent to the reporting date. Unearned premiums are earned as revenue over the period of the contract and are principally calculated on a daily pro rata basis, unless there is a marked unevenness in the incidence of risk over the coverage period. In these cases, premiums are recognised based on the assessed incidence of risk.

2.4.4 Insurance Claims - Insurance claims incurred in the year comprise claims paid in the year, changes in the provisions for outstanding claims, whether reported or not, any related loss adjustment expenses less, where applicable, an allowance for salvage and other recoveries, together with any adjustments to claims outstanding from previous years.

2.4.5 Acquisition Costs - Acquisition costs, which represent commissions and other related costs, are deferred and amortised over the period in which the related premiums are earned. Related reinsurance commissions are not netted against deferred acquisition costs and, instead, included within accruals and deferred income.

2.4.6 Claims Provisions and Related Reinsurance Recoveries - Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Company. Although the Company takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will be different from the original liability established.

Claims provision is made for the full cost of settling outstanding claims at the balance sheet date, including claims incurred but not yet reported at that date, net of salvage and subrogation recoveries. Outstanding claims provisions are not discounted for the time value of money except for claims to be settled by Periodical Payment Orders (PPOs) established under the UK Courts Act 2003 and Future Policy Benefits relating to long-duration contracts.

The Incurred But Not Reported (IBNR) reserve is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. It includes an allowance for any consistent under or over-estimation in the case reserves. The IBNR review is conducted on a class of business basis. The in-house actuarial team conducts the assessment which is subject to an internal and external peer review process. Standard actuarial methodologies are used to evaluate and determine the IBNR reserves for all areas of the business including loss development methods and the analysis of individual cases in more volatile lines as appropriate. The Company's actuaries determine and select the most appropriate actuarial method to adopt for each business class. They also determine the appropriate segmentation of data from which the adequacy of the reserve can be established. A point estimate is determined from these detailed reviews and the sum of these point estimates for each class of business provides the overall actuarial point estimate for the IBNR reserve for the Company.

The ultimate process by which the actual carried reserves are determined takes into account both the actuarial point estimate and numerous other internal and external factors such as claims initiatives and economic conditions in the respective country. The majority of the IBNR reserve relates to the longer-tail classes of business and the actuaries conduct sensitivity analysis so that senior management understand the key areas of uncertainties which could potentially lead to the final actual outcome being materially different. The Company's actuaries determine their best estimate of the undiscounted IBNR reserve and report to the Reserves Committee. The general insurance loss reserves can generally be categorised into two distinct groups. One group is short-tail classes of business consisting mainly of property, personal insurance lines, marine and energy. The other group is long-tail commercial lines of business which includes excess and primary liability, Directors and Officers (D&O), professional liability, employers' liability, general liability and related classes.

Short-tail classes do not have a significant delay from the date of accident to date of report to the Company and then settled by the Company. The estimates for these classes are more reliant on the case estimate on individual claims and utilises loss development methodologies in the projection of the future development of these case estimates.

Long-tail classes generally relate to claims where liability has to be established or where there is an element of bodily injury. For these classes it may take some time from the date of accident for the claim to emerge and for claims to be settled from notification date due to the time taken to establish liability. Estimation of ultimate net indemnity losses and loss expenses for long-tail lines of business is a complex process and depends on a number of factors, including the class and volume of business involved as well as premium rate changes, changes in exposure and claim inflation. The actuarial methods used by the Company for most long-tail commercial lines include loss development methods and expected loss ratio methods, including the Bornhuetter-Ferguson method. Exceptional large claims or events, to the extent that these distort the historical development, are removed from the analysis and considered separately.

2.4.7 Liability Adequacy - At each reporting date, the Company reviews its unexpired risks and performs a liability adequacy test. Provision is made for any unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the provision for unearned premiums in relation to such policies after the deduction of any deferred acquisition costs. The expected value is determined by reference to recent experience and allowing for changes to the premium rates. The provision for unexpired risks is calculated separately by reference to classes of business that are managed together and after taking account of relevant investment returns.

2.4.8 Reinsurance - The Company cedes reinsurance in the normal course of business with retention limits set for each line of business. Limits are set by using the principles laid out by the Board with respect to the risk appetite. The level the limits are set at will depend on the capital requirement impact of the retention, the target capital position and the surplus above capital requirements, the planned level of underwriting profit and the cost and availability of reinsurance. Other considerations will include stress and scenario testing, recent claims experience and to reduce the volatility of results.

The contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts. Onwards reinsurance premiums are recognised in the same accounting year as the related premium income. Reinsurance claims recoveries are recognised in the same accounting year as the related insurance claims are accounted for.

The amounts recoverable from reinsurers are estimated based upon the gross provisions, having due regard to their collectability. The reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurers. The reinsurers' share of claims incurred in the Statement of Comprehensive Income reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year.

The reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the Statement of Comprehensive Income as outward reinsurance premiums. Reinsurance contracts that principally transfer financial risk are accounted for directly through the Balance Sheet and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

2.5 Tangible Assets

Owner occupied properties are held at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other items of tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Owner occupied properties are revalued on a regular basis at open market valuation by independent, professionally qualified values. These valuations are in accordance with the requirements of the International Valuation Standards Council and the revaluation model within FRS 102.

Any revaluation increase arising on revaluation is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.
Tangible assets are depreciated to their residual values over their useful lives. Depreciation is calculated on a straight-line basis to reduce the carrying value to the residual amount over the following years:

Land:	Not depreciated
Property	40 years
Leasehold Improvements	5 years
Fixtures and Fittings	4 years

The residual values, length of the economic lives and depreciation method applied are reviewed on a regular basis, and at least at every reporting date, and adjusted as appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment tangible assets are determined by reference to their carrying amount.

2.6 Intangible Assets

Intangible assets include capitalised software costs. Capitalised software costs represent costs directly related to obtaining, developing or upgrading internal use software. Such costs are capitalised and amortised on a straight-line basis over the software's useful life which is a period not exceeding five years. Intangible assets are reviewed annually for impairment review to assess whether an impairment indicator or changes in circumstances indicate that the carrying amount may not be recoverable.

2.7 Investments in Group Undertakings

Investments in group undertakings are stated at cost less impairment. Investments are reviewed for impairment whenever an impairment indicator or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is more than the recoverable amount, an impairment charge is recognised in the Statement of Comprehensive Income.

2.8 Financial Assets and Liabilities

The company has chosen to apply the recognition and measurement provisions of IAS 39, Financial Instruments: Recognition and Measurement (as adopted in the EU).

2.8.1 Recognition and derecognition - A financial asset is initially recognised on the date the Company becomes committed to purchase the asset at its fair value plus directly related acquisition costs, except for those assets classified as fair value through profit or loss where acquisition costs are recognised immediately in the Statement of Comprehensive Income. A financial asset is derecognised when the rights to receive cash flows have been transferred and the risks and rewards of ownership have been substantially transferred by the Company. On initial recognition, the Company classifies its financial assets into one of the following categories: financial assets at fair value through income; loans and receivables; or available-for-sale financial assets. For financial instruments classified in categories that require them to be measured at their fair value at the reporting date, fair value is determined with reference to the quoted market bid prices, or by using an appropriate valuation model.

2.8.2 Financial Assets at Fair Value Through Statement of Comprehensive Income Statement - Financial assets may be classified on initial recognition as being at fair value through profit or loss if such designation: (a) eliminates or significantly reduces a measurement or recognition inconsistency; (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not closely related to the host contract. Gains and losses on financial assets designated at fair value through profit or loss are recognised directly in the Statement of Comprehensive Income.

2.8.3 Loans and Receivables - Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except for those that are classified as available-for-sale or designated as at fair value through income. They are subsequently measured at amortised cost using the effective interest method less any impairment losses. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

2.8.4 Available-For-Sale - Non-derivative financial assets that are not classified as designated at fair value through profit and loss are classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition. They are subsequently measured at fair value with changes in fair value reported in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognised in the Statement of Comprehensive Income. Impairment losses and exchange differences resulting from the retranslation of the amortised cost of foreign currency monetary available-for-sale financial assets are recognised in income together with interest calculated using the effective interest method.

2.8.5 Financial Liabilities - A financial liability is initially recognised on the date the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value including, other than for financial liabilities at fair value through profit or loss, transaction costs directly attributable to the issue of the instrument. Other than derivatives which are subsequently measured at fair value, all other financial liabilities are subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised from the Balance Sheet when the obligation is discharged, cancelled, or expires.

2.9 Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Investment Income

Net investment income to be recognised in the Statement of Comprehensive Income includes investment income (comprising of interest, dividends and the amortisation of any discount or premium on available-for-sale debt securities). Net Investment Income also includes realised gains and losses and movements in unrealised gains and losses on financial assets held at fair value through profit or loss, net of interest payable, investment expenses and impairment losses on financial assets. Interest income is recognised as accrued based on the effective interest method. Dividend income is recognised as the Company's right to those dividends becomes unconditional. Rental income is recognised on a straight-line basis.

An allocation of actual investment return on investments which support our general insurance technical provisions and associated equity is made from the non-technical account to the technical account. This was first performed for the year ended 30 November 2020 and is presented in Note 10.

2.11 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets classified as either loans and receivables or available-for-sale is impaired. A financial asset or group of financial assets is impaired, and an impairment loss recognised, if there is objective evidence that an event, or events has occurred subsequent to the initial recognition of the financial asset or group of financial assets that has adversely affected the amount or timing of future cash flows from the asset.

2.11.1 Loans and Receivables - Where there is evidence that the contractual cash flows of a financial asset classified as loans and receivables will not be received in full, an impairment charge is recognised in income to reduce the carrying value of the financial asset to its recoverable amount.

2.11.2 Available-For-Sale Financial Assets - Where a decline in the fair value of a financial asset classified as available-for-sale has been recognised in the fair value reserve and there is objective evidence that the asset is impaired, the cumulative loss is transferred out of the fair value reserve in equity and recognised in the income statement. The cumulative impairment loss recognised is the difference between the acquisition cost (net of principal repayments and amortisation for debt securities) and its current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses previously recognised for debt securities are reversed if there is a subsequent increase in their fair value and that this increase can be objectively linked to an event subsequent to the recognition of the impairment. Impairment losses on available-for-sale equity instruments are not reversed.

2.12 Borrowings

Borrowings are initially recognised at their issue proceeds and are subsequently measured at amortised cost. Borrowing costs are recognised using the effective rate method in the Statement of Comprehensive Income as incurred.

2.13 Employee Benefits and Share Based Payments

2.13.1 Short-term employee benefits - Short-term employee benefits, including compensated absences, are benefits to be paid within one year after the end of the reporting year in which the related services are rendered. A liability and expense are recognised for the undiscounted amount expected to be paid for short-term employee benefits in the year in which the employee renders services in exchange for the benefits.

2.13.2 Other long-term employee benefits - Other long-term employee benefits are accounted for similarly to short-term employee benefits. However, unlike short-term employee benefits, the amounts are discounted in the measurement of the liability.

2.13.3 Termination Benefits - A liability for termination benefit is recognised at the earlier of when the Company can no longer withdraw from the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.13.4 Employee share-based payments - Equity-settled plans are measured at fair value of the equity instruments on the grant date and recognised as an expense, with a corresponding increase to shareholders' equity, on a straight-line basis over the vesting period. In determining the expense, the Company estimates the number of equity instruments that are expected to eventually vest. Such estimates are revised at the end of each reporting year, with the impact of any revisions recognised in profit or loss, with a corresponding adjustment to the equity-settled employee benefits reserve.

2.14 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Operating lease payments, where the lessors effectively retain substantially all of the risk and benefits rewards of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income in accordance with the patterns and benefits derived from the leased items. Payments made relating to operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Any lease incentives, such as rent free periods, are amortised on a straight line basis over the lease term. The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease, not exceeding 7 years.

2.15 Taxation

The charge for tax is based on the results for the year determined in accordance with the relevant tax laws and regulations, together with adjustments to provisions for prior years. Deferred tax is provided in full on all timing differences arising between the carrying amounts in the financial statements and the tax bases of the assets and liabilities. Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered. Deferred tax is calculated based on the tax rates that have been enacted or substantially enacted at the end of the reporting period and which are expected to be in force when the relevant deferred tax asset is realised or the relevant deferred tax liability is settled. Deferred tax balances are not discounted. Current and deferred tax assets and liabilities are shown gross to reflect the fact that they can only be offset where there is a legally enforceable right to do so, particularly in respect of taxes relating to the same fiscal authority.

2.16 Pension Costs

The Company operates pension benefit plans. These include both defined benefit and defined contribution plans. Payments to defined contribution plans and state-managed retirement benefit plans, where the Company's obligations under the plans are equivalent to a defined contribution plan, are charged as an expense as the employees render service. The defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the plans' actuaries using the Projected Unit Credit Method.

Amounts charged (or credited) in the Statement of comprehensive income for post-retirement benefits in respect of defined benefit plans include:

- The current service cost – representing the present value of additional benefits accruing in relation to employee services provided during the year;
- Past service costs – arising from plan amendments and curtailments. Such costs are recognised in the statement of profit or loss at the earlier of the effective date of the plan amendment or curtailment, or when the Group recognises the related restructuring costs or termination benefits;
- Administration costs of operating the pension plans; and
- Net interest on the net deferred pension obligation liability (asset) – determined by applying the discount rate to the net defined benefit liability (asset) at the start of the reporting year and any movements in the net defined benefit liability (asset) during the year from contributions made and benefits paid.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

The defined benefit liability recognised in the balance sheet represents the present value of defined benefit obligations adjusted for unrecognised past service costs and reduced by the fair value of plan assets. Any net defined benefit surplus is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the plan.

2.17 Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to transfer economic benefits in settlement, and a reliable estimate can be made of the amount of the obligation. A provision is measured at the best estimate that the Company would pay to settle the obligation or transfer it to a third party at the reporting date.

A contingent liability is either: a present obligation arising from past events where it is probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be reasonably estimated; or, a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are disclosed if there is more than a remote possibility that an outflow of resources will be required to settle the obligation.

In many cases, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until years after the contingency arises, in which case no accrual is made until that time.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

UK GAAP requires management to select suitable accounting policies, apply them consistently and make judgements and estimates which are reasonable and prudent when preparing the financial statements. These judgements and estimates are based on management's knowledge of current factors and circumstances and prediction of future events and actions. Actual results may differ from those estimates, possibly significantly.

The table below illustrates the critical accounting estimates and judgements for the reporting year and the relevant accounting policy and note disclosure:

Accounting Estimates	**Accounting Policy**	**Disclosure Note**
3.1 - Liability for unpaid claims and loss adjustment expenses	2.4.6	22
3.2 - Pipeline premiums and associated loss reserve	2.4.2	-
3.3 - Estimate of reinsurance recoveries	2.4.6	22
3.4 - Pensions	2.16	20.3
3.5 - Taxation	2.15	23

Judgements	**Accounting Policy**	**Disclosure Note**
3.6 - Deferred acquisition costs	2.4.5	-
3.7 - Impairment of available for sale financial instruments	2.11	17
3.8 - Impairment of investments in group undertakings	2.7	15

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below:

3.1 Liability for unpaid claims and loss adjustment expenses

Provision is made at year end for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ('IBNR'), and the estimated expenses to be incurred in settling claims.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgements. These estimates and judgements are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore higher than classes of business with a shorter reporting tail will typically display greater variations between initial estimates and final outcomes. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to have less uncertainty within the unpaid liability estimate. In calculating the required levels of provisions, the Company uses a variety of estimation techniques used widely across the market, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. In arriving at booked claims provisions, management also make allowance for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in patterns of claim incidence, reporting, processing, finalisation and payment;
- changes in the legal environment;
- the impact of inflation (both economic/wage and superimposed);
- changes in the mix of business;
- the impact of large losses;
- movements in industry benchmarks;
- number of claims that have a high likelihood of becoming periodic payment orders;
- current accident year experience;
- medical and technological developments;
- the impact of COVID-19 on claims behaviour; and
- changes in policyholder behaviour.

The methods used to analyse past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio. The projections given by the different methodologies assist in setting the range of possible outcomes. The most appropriate estimation technique, or combination of techniques, is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Large claims impacting each relevant business class are considered on a case by case basis and projected separately, where appropriate, in order to allow for the possible distortive effect of the development and incidence of these large claims.

We also note that the following specific areas of reserve uncertainty for the Company are as follows:

- Financial Lines: This is a key area of uncertainty given the current macro environment, and increased market and regulatory scrutiny of the banks which the Company insures
- Liabilities: Legal changes such as the Ogden discount rate, Ministry of Justice reforms and LASPO (Legal Aid, Sentencing and Punishment of Offenders Act), PPO claims, abuse and disease claims
- General volatility in respect of specific large claims
- Claims experience is subject to natural catastrophes across the world given the global exposure of risks underwritten by the Company. The frequency and severity of such events have a high degree of uncertainty associated with them; and
- There is a higher level of uncertainty for the more recent accident years given their early stage in development.

The Company's response to COVID-19-related claims forms part of a globally co-ordinated cross-functional approach involving AIG's global and local claims, legal, underwriting and actuarial functions.

In 2020 the FCA brought a 'test case' in the High Court about the extent to which certain non-damage business interruption policy wordings respond to COVID-19 related business interruption losses. The Company was not a party to the case. The High Court gave judgment in the test case on 15 September 2020 and, after an appeal, the UK's Supreme Court gave judgment on 15 January 2021.

The test case judgment is relevant only to a small sub-set of the policies issued the Company under which COVID-19 related claims for business interruption losses have been made. This small sub-set of policies, subject to other terms and conditions, provide affirmative cover in respect of business interruption loss arising from disease or government action. In contrast to the policies at issue in the test case, the vast majority of policies issued by the Company do not affirmatively grant cover for infectious disease. Subject to other terms and conditions, most require physical damage to property for business interruption or related covers to arise, require that the physical damage to property be the cause of the business interruption, and/or contain a virus exclusion. The test case does not affect the Company's positions under these policies.

There are currently no court proceedings against the Company in relation to COVID-19 related losses. Apart from under a small number of policies, the Company considers that it is not liable to cover business interruption losses caused by the COVID-19 pandemic and government action in response. Nevertheless, it is possible that claims which the Company does not consider valid will be pursued, and that issues of coverage or quantum in relation to some claims will be the subject of court proceedings. This would inevitably expose the Company to litigation risk, despite the Company's assessment of the merits of the claims.

3.2 Pipeline premiums and associated loss revenue

The Company makes an estimate of premiums written during the year that have not yet been notified by the financial year end based on prior year experience and current year business volumes. The pipeline premium is booked together with an assessment of the related unearned premium reserve and an estimate of claims incurred but not reported as well as any associated acquisition costs. A test is performed of actual premium received against prior year pipeline premium accruals and the estimation process adjusted if necessary to increase the accuracy of the current year estimate.

3.3 Estimate of reinsurance recoveries

The Company's estimate of reinsurance recoveries is based on the relevant reinsurance programme in place for the calendar year in which the related losses have been incurred. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim reserves associated with the reinsured policy. An estimate for potential reinsurance failure and possible disputes is provided to reduce the carrying value of reinsurance assets to their net recoverable amount

3.4 Pensions

The Company operates pension schemes, whose members receive benefits on either a defined benefit or defined contribution basis. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The pension obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The sensitive nature of key assumptions, such as discount and mortality rates, can have a material impact on the closing valuation of the schemes and these rates are subject to judgement to ensure reasonableness and accuracy. The resultant net surplus or deficit recognised as an asset or liability on the Balance Sheet is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets.

3.5 Taxation

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the deferred tax assets relate to tax losses, the availability of the losses to offset against forecast taxable profits is also considered. The recovery of the deferred tax asset is sensitive to changes in the underwriting result and investment yield assumptions as these are the material drivers of future taxable profits. Recognition therefore involves judgement regarding the future financial performance of the tax group in which the deferred tax asset has been recognised.

3.6 Deferred acquisition costs

The amount of acquisition costs to be deferred is dependent on judgements as to which issuance costs are directly related to and vary with the acquisition of policies.

3.7 Impairment of available-for-sale financial instruments

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing industry and sector performance, changes in technology, and financing and operational cash flows.

3.8 Impairment of investments in group undertakings

The Company reports the value of its investments in group undertakings at cost less any impairment. Management exercise judgement in the annual impairment review, which is taken when there is an indication of impairment in accordance with the guidelines of IAS36.

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The management of risk is a fundamental concern of the Company's management. This note, together with the Risk Management Report, summarises the key risks to the Company and the policies and procedures put in place by management to manage them. The Risk Management Report sets out a high level overview of the risk governance structure adopted by the Company.

The components of insurance, financial, business and strategy and operational risk are considered below:

4.1 Insurance Risk

Insurance Risk refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance Risk can also refer to fluctuations in the timing and amount of claim settlements and reserves.

Insurance Risk is historically the single most significant risk area within the Company. It is split between four principal key risks which are all managed through the application of controls, as well as the use of reinsurance to offset exposures through the transfer of risk. These four key risks are as follows:

- **Failure of Pricing, Product or Strategy**: The Company's underwriting operations inherently carry the risk of inappropriately pricing of products resulting in financial losses or reduced profit through being set too high (therefore losing market share) or too low (therefore resulting in an unacceptable profit contribution for that product). It also covers scenarios where an inappropriate strategy or product is introduced or continued for a specific business line or the Company as whole there is an increased risk that material financial and reputational losses will occur. The Company seeks to manage this through the setting and review of pricing guidelines relevant to each business line and the application of a strict hierarchy of pre-binding rules and underwriting authorities to ensure that policies are underwritten with management oversight. In addition, annual processes and controls are in place over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to launch. The Product Development Forum plays a key role in ensuring that product development controls and processes are adhered to. Large and unusual transactions are referred to the LUT referral group, primarily comprised of members of the Company's Insurance Risk Committee, for consideration from a Balance Sheet, liquidity and risk portfolio point of view before the

Company becomes committed. This helps to ensure compliance with the Board-approved risk appetite. The Company also mitigates exposures to pricing risk through the purchase of reinsurance. The Company regularly run exposure concentration analyses as part of general portfolio modelling and underwriting metrics and any results would feed into our selection of concentration zones for LUT, and non-modelled risk evaluations.

- **Failure to Manage Natural Catastrophe Risk Aggregation/Accumulation:** The Company may be exposed to an increased likelihood of disproportionate Natural Catastrophe losses for specific perils if insured risks are overly focused on a specific geographical area or type of policy cover. The Company seeks to manage this through the use of pre-bind rules and authorities to manage significant within-line and cross-line exposures, as well as Realistic Disaster Scenario runs to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business. In addition, large and unusual transactions that may have a material impact on risk aggregation exposures for an individual line of business are referred to the LUT for further consideration.

- **Failure to Manage Man-Made Catastrophe Risk Aggregation/Accumulation:** The Company may be exposed to an increased likelihood of disproportionate Man-Made losses for specific perils if insured risks are overly-focused on a specific geographical area or type of policy cover. The Company seeks to manage this through the use of pre-bind rules and authorities to manage significant within line and cross-line exposures, as well as Realistic Disaster Scenario runs to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business. In addition, large and unusual transactions that may have a material impact on risk aggregation exposures for an individual line of business are referred to the LUT for further consideration.

- **Adverse Reserve Development:** The Company may be exposed to reserve shortfalls or distortions through failing to set sufficient case reserves or through failing to adopt a robust and consistent reserve strategy across products offered to insureds and countries. The Company seeks to manage this through monitoring adherence to established policies and procedures in place governing its claims reserving practices. In addition, the Company's Actuarial Team conducts quarterly reserve reviews of the Company's overall book to determine appropriate reserve levels and quarterly reviews of the Company's expected IBNR adequacy. The Company also employs external consultants to perform reviews of its reserves to provide an independent review of their adequacy.

4.2 Financial Risk

4.2.1 Market Risk

Market risk is the risk that the Company is adversely affected by movements in the fair value of its financial assets arising from market movements, such as credit spreads, interest rates and foreign exchange rates or other price risks. A description of the Company's principal risk relating to Market Risk is shown below; along with a summary description of controls the Company applies in seeking to mitigate this risk:

- **Unexpected Loss in Fair Value of Investment Portfolio:** The adequacy of investment assets held by the Company may be adversely affected as a result of interest rate, inflation, foreign exchange, equity, real estate and credit spread movements and the deterioration in the credit quality of invested assets, impacting on the Company's capital position and liquidity profile. The Company seeks to manage this risk through the monitoring of adherence to established set of investment guidelines, which are reviewed and updated periodically by the Market Risk Committee. The guidelines contain restrictions on areas such as asset class concentrations, business sector concentrations, the duration of investments against our insurance liabilities, the level of assets held with single obligors with a credit rating lower than AAA and the overall average credit rating target of the investment portfolio. The Company's Treasury Department also has processes and procedures in place in order to review, assess and, if necessary, take action on foreign exchange rate movements.

4.2.2 Liquidity Risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, primarily insurance claims as they fall due. This risk is mitigated through investment in predominately tradable financial assets and constant monitoring of expected asset and liability maturities. The Company further manages this risk through reviews of Liquidity Risk Management Reports provided by the Treasury function, as well as review and approval of stress scenarios designed by Treasury to assess liquidity risk of the Company in extreme situations. The Company's Treasury department is also operationally responsible to ensure that sufficient funding required for a stressed scenario is available and that the sources of funding are appropriately diversified. The Company's Treasury department maintains a Contingent Funding Plan that is triggered in the event of breaches in the liquidity risk limits. There has been no material change in the Company's processes in respect of liquidity risk over the year.

Maturity Analysis of Financial Liabilities

Below is an analysis of the maturity profile of financial liabilities, including insurance liabilities, which are subject to fixed and variable interest rates:

At 30 November 2020	Less than one year £'m	One to two years £'m	Two to three years £'m	Three to four years £'m	Four to five years £'m	Five to ten years £'m	Over ten years £'m	Carrying value in the balance sheet £'m
Insurance liabilities:								
Claims outstanding including IBNR and LAE	1,192.0	766.5	530.9	390.0	295.7	740.1	512.3	**4,427.5**
Provision for unearned premiums	286.0	194.8	129.6	94.8	72.5	181.5	123.0	**1,082.2**
Creditors	638.5	3.7	-	-	-	-	-	**642.2**
Total	**2,116.5**	**965.0**	**660.5**	**484.8**	**368.2**	**921.6**	**635.3**	**6,151.9**

At 30 November 2019	Less than one year £'m	One to two years £'m	Two to three years £'m	Three to four years £'m	Four to five years £'m	Five to ten years £'m	Over ten years £'m	Carrying value in the balance sheet £'m
Insurance liabilities:								
Claims outstanding including IBNR and LAE	1,580.2	768.2	573.8	392.9	295.9	551.3	410.0	**4,572.3**
Provision for unearned premiums	326.0	231.1	137.0	99.0	81.6	147.9	34.8	**1,057.4**
Creditors	695.6	3.9	-	-	-	-	-	**699.5**
Total	**2,601.8**	**1,003.2**	**710.8**	**491.9**	**377.5**	**699.2**	**444.8**	**6,329.2**

4.2.3 Credit Risk

Credit Risk is defined as the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has exposure to credit risk principally through its holdings of debt securities, structured assets and reinsurance assets. A description of each of the Company's principal risks attached to credit risk is shown below along with a summary description of controls the Company applies in seeking to mitigate these risks:

- **Unexpected Credit Loss Owing to Reinsurer Failure:** The Company faces a risk of material losses if their main reinsurers fail or are unable to pay their contractual share of claims payable. The Company seeks to manage this through annual review of the financial strength and creditworthiness of reinsurance counterparties, as well as tracking overall exposures to individual reinsurers. In addition, a list of approved reinsurers is maintained and an established process is in place to ensure that approval is obtained before reinsurance cover is taken out with a reinsurer not on the approved list (this may include requiring collateralisation).

Notes to the Financial Statements for the year ended 30 November 2020

- **Unexpected Credit Loss (All Other Counterparties Including Group):** The Company faces a risk of material losses and cash flow issues if other internal or third party obligors are unable to pay amounts due. The Company seeks to manage this risk through the utilisation of processes and procedures to ensure that the Company only utilises approved bank operating accounts and investment counterparties. In addition, the Company has controls in place to ensure that third party service providers and brokers used are subject to credit checks prior to and during the year where they provide services to the Company, where it is possible to do so.
- **Captives:** Under a captive arrangement AIG provides insurance coverage and subsequently seeks reimbursement of losses or draws on collateral from the client. Credit exposure emanating from high frequency/low severity lines (e.g. casualty) is largely off-set by either cash or provision of third party indemnity (bank issued letters of credit). Catastrophe-type risks (e.g. property/energy) ceded to captives is typically indemnified by the insured Parent unless the captive is of sufficient credit quality (i.e. investment grade). Where appropriate, arrangements are made to cash collateralise significant reserving requirements emanating through policies/programmes.

The following table provides an analysis of the major categories of financial assets with credit risk exposure and the credit rating of those financial assets based upon the ratings published by Standard & Poor's or an equivalent recognised rating organisation:

At 30 November 2020	AAA £'m	AA £'m	A £'m	BBB £'m	Below investment grade £'m	Not rated £'m	Total £'m
Financial investments							
Debt securities	1,225.4	928.3	1,361.0	580.5	100.8	-	**4,196.0**
Equity instruments	-	-	-	-	-	77.0	**77.0**
Loan participations	-	8.0	140.0	28.7	91.3	-	**268.0**
Reinsurers' Share of Technical Provisions	-	139.5	142.0	679.7	603.6	407.7	**1,972.5**
Debtors	-	6.1	28.7	150.4	152.9	597.2	**935.3**
Accrued interest and rent	9.0	6.6	12.9	7.3	1.5	-	**37.3**
Cash in bank	-	4.0	170.0	13.4	-	-	**187.4**
Short term deposits	-	3.0	7.6	-	-	-	**10.6**
Other assets -other	-	-	-	-	-	85.1	**85.1**
Total	**1,234.4**	**1,095.5**	**1,862.2**	**1,460.0**	**950.1**	**1,167.0**	**7,769.2**

At 30 November 2019	AAA £'m	AA £'m	A £'m	BBB £'m	Below investment grade £'m	Not rated £'m	Total £'m
Financial investments							
Debt securities	1,174.1	1,142.2	1,332.1	416.3	89.6	-	**4,154.3**
Equity instruments	-	-	-	-	-	76.7	**76.7**
Loan participations	-	-	153.9	35.5	85.6	-	**275.0**
Reinsurance assets	3.6	74.4	679.3	908.5	94.8	442.9	**2,203.5**
Debtors	-	38.7	123.7	208.0	227.9	378.9	**977.2**
Accrued interest and rent	8.7	9.5	14.0	6.8	1.7	-	**40.7**
Cash in bank	-	0.3	41.2	34.4	-	-	**75.9**
Short term deposits	-	20.1	56.6	-	-	-	**76.7**
Other assets -other	-	-	-	-	-	75.8	**75.8**
Total	**1,186.4**	**1,285.2**	**2,400.8**	**1,609.5**	**499.6**	**974.3**	**7,955.8**

Notes to the Financial Statements for the year ended 30 November 2020

The following table analyses the credit quality of financial assets with credit risk exposure that are neither past due nor impaired and those that have been impaired by category of asset:

		Financial assets that are past due but not impaired					
At 30 November 2020	**Neither past due nor impaired £'m**	**1-30 days £'m**	**31-60 days £'m**	**61-90 days £'m**	**Over 90 days £'m**	**Financial assets that have been impaired £'m**	**Carrying value in the balance sheet £'m**
Financial investments							
Debt securities	4,196.0	-	-	-	-	-	**4,196.0**
Equity instruments	77.0	-	-	-	-	-	**77.0**
Loan participations	268.0	-	-	-	-	-	**268.0**
Reinsurers' Share of Technical Provisions	1,972.5	-	-	-	-	-	**1,972.5**
Debtors	360.3	504.3	40.3	22.6	7.8	-	**935.3**
Accrued interest and rent	37.3	-	-	-	-	-	**37.3**
Cash in bank	187.4	-	-	-	-	-	**187.4**
Short term deposits	10.6	-	-	-	-	-	**10.6**
Other assets -other	85.1	-	-	-	-	-	**85.1**
Total	**7,194.2**	**504.3**	**40.3**	**22.6**	**7.8**	**-**	**7,769.2**

		Financial assets that are past due but not impaired					
At 30 November 2019	**Neither past due nor impaired £'m**	**1-30 days £'m**	**31-60 days £'m**	**61-90 days £'m**	**Over 90 days £'m**	**Financial assets that have been impaired £'m**	**Carrying value in the balance sheet £'m**
Financial investments							
Debt securities	4,154.3	-	-	-	-	-	**4,154.3**
Equity instruments	76.7	-	-	-	-	-	**76.7**
Loan participations	275.0	-	-	-	-	-	**275.0**
Reinsurance assets	2,203.5	-	-	-	-	-	**2,203.5**
Debtors	600.2	343.3	16.9	16.4	0.4	-	**977.2**
Accrued interest and rent	40.7	-	-	-	-	-	**40.7**
Cash in bank	75.9	-	-	-	-	-	**75.9**
Short term deposits	76.7	-	-	-	-	-	**76.7**
Other assets -other	75.8	-	-	-	-	-	**75.8**
Total	**7,578.8**	**343.3**	**16.9**	**16.4**	**0.4**	**-**	**7,955.8**

4.2.4 Interest Rate Risk

Interest rate risk arises primarily from the Company's fixed maturity securities and discounted claims provisions which are exposed to fluctuations in interest rates. The Company mitigates this risk by matching the duration between assets and liabilities; asset duration should equal liability duration within a tolerance of plus or minus one year. At 30 November 2020, the effective duration for the Company's fixed maturity portfolio was 3.4 years (2019: 2.9 years).

Sensitivity Analysis

Fixed Maturity Portfolio

At 30 November 2020, the sensitivity of the carrying value of the Company's fixed maturity portfolio was as follows. Subject to any impairment charges that may result under the scenarios, the fair value reserve would be reduced by £150.2 million (2019: £125.4 million) for a 100 basis point increase in interest rates. Conversely, a 100 basis point decrease in interest rates would increase the fair value reserve by £157.4 million (2019: £130.4 million). For an increase of 150 basis points in interest rates the fair value reserve would reduce by £222.6 million and for a decrease of 150 basis points in interest rates the fair value reserve would increase by £238.8 million.

Discounted Claims Provisions
With respect to discounted claims provisions a 100 basis point increase in interest rates would reduce net claims provisions by £10.5 million (2019: £16.0 million) while a 100 basis point decrease in interest rates would increase net claims provisions by £14.3 million (2019: £23.0 million). For an increase of 150 basis points in interest rates the net claims provision would reduce by £14.6m million and for a decrease of 150 basis points in interest rates they would increase by £23.5 million.

4.3 Business and Strategy Risk

Whilst AIGUK identifies and manages its Insurance, Market (including Liquidity Risk), Credit and Operational Risks, the Company is aware that these individual risk types are framed to some degree by the Company's and AIG Group's business operations and strategic direction. The Company's operations and strategy also influence or are impacted by Group Risks arising from its participation in the wider AIG group.

A description of each of the Company's principal risk components attached to Business and Strategy Risk is shown below along with a summary description of controls the Company applies in seeking to mitigate these risks:

- **Strategic Risk:** This represents the risk of losses due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. The risks include general macroeconomic pressures, misalignment of the Company's objectives to those of AIG Group, as well as risks associated with one-off business-specific events, such as significant mergers and acquisitions. The Company seeks to manage this risk through the application of a business-planning process to ensure that the Company has a sustainable strategy that is aligned to AIG's global objectives, as well as post-date monitoring of the Company's performance against its set budget and adherence to its strategic objectives. AIGUK ERM also actively supports this process through conducting risk assessments of the business-planning process, monitoring identified risks from these assessments and conducting scenario analysis and stress testing on the company's one- and five-year budgets.

- **Capital Adequacy Risk:** This represents the risk of not maintaining the capital levels required to meet both regulatory and rating agency standards and the impacts of breaches in these capital requirements. Intra-group transactions, such as dividend payments to the AIG Group, and ceding insurance risk to internal counterparties are also connected to this risk. Key controls in the management of this risk revolve around the application of and adherence to a clearly defined capital management policy and an annual Capital Management Plan, which sets out target capital parameters and a strategy to maintain this over the life of the company's business planning period, in order to meet rating agency requirements, as well as meeting dividend payments to the AIG Group. In addition, AIGUK utilises capital support agreements between the Company and its ultimate parent.

- **Reputational Risk (Including Group Reputational Risk):** This represents the risk that adverse publicity regarding business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of AIG Group, which includes AIGUK. The Company seeks to manage this risk through the application of and adherence to a suite of corporate policies in place to control AIGUK's exposure to scenarios that could damage the AIG brand or AIGUK's immediate reputation as a company, as well as subjecting activities that carry material reputational risk to additional levels of governance and oversight.

4.4 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. The definition of Operational Risk includes legal risk and the impact from business and strategy risks.

Operational risk is considered a key risk area of the Company and it is inherent in each of its business units. Operational risks can have many impacts, including but not limited to, unexpected economic losses or gains; reputational harm due to negative publicity; regulatory action from supervisory agencies; operational and business disruptions; and damage to customer relationships.

Operational risk is characterised under the following Level 1 risk categories:

- **IT System Disruption** – The risk of IT systems or applications failing or not performing reliably (includes application development, infrastructure maintenance and disaster recovery capability).
- **Outsourcing** and third-party performance and engagement - The risk that third-party capabilities and service level agreements do not match business requirements and expose the AIG UK to unintended risk. Also includes errors and delays in the on-boarding of new vendors and business partners.
- **Legal and Regulatory Risk** - Applies to local non-US insurance rules & regulations and the failure of adhering to them.
- **Business Disruption & Systems Failure** – Risks associated with the interruption of business activity due to system or communication failures, the inaccessibility of information or the unavailability of utilities.
- **Financial Reporting Misstatements** – This is the risk of financial statements containing material misstatements and/or errors in tax accounting.
- **Claims** – The risk of inadequate handling of claims by the AIG UK resulting in claims leakage or inappropriate denials.
- **Staffing Resources** – The risk of losses arising due to insufficient capability of staff resources (includes the failure to provide a safe environment for employees).
- **Fraud** – Risk of loss due to fraud perpetrated internally or externally.
- **Administration Execution** - Covers execution administration errors in policy servicing (timeliness, incorrect data, communication breakdowns), leading to customer detriment, reputational and operational impacts.
- **Cyber** – The risk of cyber-attacks leading to information theft & denial of service.
- **Project Execution** – Covers the risk of program execution failure with large projects not delivered correctly, on time, on budget, or causing other unforeseen impacts or errors. Also includes the risk of the incorrect prioritisation of projects.
- **Reinsurance** - Risk of loss due to inadequate reinsurance processes. Includes the failure of placing reinsurance when requested.
- **Receivables** – Risk of not recovering receivables from brokers, policy holders and other applicable debtors.
- **Business Continuity** – The risk of ineffective business continuity plans negatively impacting company operations as a result of natural disasters, political events, terrorism or accidents.
- **Data** – The risk that required data is not sufficiently available or of high enough quality (both because of systems and supporting processes) to support business decisions.
- **Conduct Risk** – The risk of not ensuring fair customer outcomes through the product life cycle, both from internal or external (outsourced) processes. The risk overlaps with other key risks (e.g. data quality, programme execution, TPA management, claims, Data Privacy, Cyber, Local insurance rules, product design.
- **Modelling Risk** – The risk of errors of deficiencies in the data used to build models, flawed assumption, choice of specification, or undue influence of outliers caused by human error. Also includes the lack of a model.
- **Mergers and Acquisitions** – Risks associated with mergers and acquisitions (M&A) and more specifically the prospect of insufficient due diligence before finalised M&As.

The Company's Operational Risk Management ("ORM") facilitates the identification, assessment, monitoring, and measurement of operational risk, and promotes a culture where each employee has responsibility for managing operational risk. The ORM Framework establishes a structure within which the ORM process evolves commensurate with changes in the regulatory and business environment.

The Company has no appetite for operational risks related to regulatory breaches and internal fraud. However, other operational risks (including conduct risk) are expected to be incurred while conducting business, such as inadvertent errors that may occur in day-to-day operations. The Company strives to reduce the probability and impact of operational risks as much as reasonably practicable while maintaining the ability to conduct a viable business.

ORM reviews all risk events reported and communicates management actions for significant events to all relevant governance forums and committees. Risk identification is further supported by the execution of Risk and Control Self-Assessments across the Company. These involve workshops facilitated by ORM and covered all processes within the target business unit. The process is continuously reviewed for further simplification and standardisation.

ORM conducts an independent validation of the operational risk component of the internal model and it leads to a comprehensive review and refresh of key scenarios and the library of key Operational Risks, aligning this to a global top-down risk assessment.

5 CAPITAL RISK MANAGEMENT

The Company maintains robust and sufficient capital to ensure the safety and stability of the Company whilst meeting regulatory, rating agency and other business needs.

The Company is regulated by the UK regulator, the Prudential Regulatory Authority (“PRA”) under the Solvency II regime. Solvency II is a comprehensive programme of regulatory requirements for insurers covering authorisation, corporate governance, supervisory reporting, public disclosure and risk assessment and management, as well as solvency and reserving. Entities have the option to calculate their Solvency Capital Requirement (“SCR”) using either the Standard Formula, as prescribed in the regulations, or through an internally developed capital model (the latter must be approved by the PRA).

The table below provides an analysis of the Own Funds of the Company under Solvency II.

	30 November 2020 £'m	30 November 2019 £'m
Basic own funds		
Ordinary share capital (gross of own shares)	15.3	15.3
Share premium account related to ordinary share capital	1,063.7	1,063.7
Reconcilation reserve	332.6	460.2
An amount equal to the value of net deferred tax assets	79.3	51.1
Total basic own funds	**1,490.9**	**1,590.3**
Ancillary own funds - letters of credit	400.0	300.0
Total own funds	**1,890.9**	**1,890.3**
Available and eligible own funds		
Total available own funds to meet the SCR	1,890.9	1,890.3
Total eligible own funds to meet the SCR	1,890.9	1,890.3
Solvency Capital Requirement - Internal Model *	1,366.4	1,366.4
Ratio of eligible own funds to SCR *	**138.4%**	**138.3%**

* these numbers are unaudited

As at 30 November 2020, the Own Funds was £1,890.9 million (2019: £1,890.3 million) providing a coverage ratio of 138.4% (2019: 138.3%) against the SCR. The Company was in full compliance with the SCR throughout the year. The Solvency Capital Requirement – Internal Model calculation is out of scope for audit.

6 FAIR VALUE MEASUREMENT

The Company carries certain of its financial instruments at fair value. The fair value of a financial instrument is the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly arm’s length transaction between willing and knowledgeable market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of observable valuation inputs. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, and the characteristics specific to the transaction, liquidity and general market conditions.

6.1 Fair Value Hierarchy

Financial assets recorded at fair value in the Balance Sheet are measured and classified in a hierarchy for disclosure purposes consisting of three levels based on the characteristics of inputs available in the marketplace that are used to measure the fair values as noted below:

- **Level 1:** Financial assets included in this category are measured at fair value with reference to publically available quoted prices in active markets that the Company has the ability to access for identical assets. A financial instrument is regarded as being quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing service or regulatory agency and the prices quoted represent actual and regularly occurring market transactions conducted at an arm’s length basis. Level 1 assets held by the Company include certain government and governmental agency securities, actively traded derivative contracts, and mutual funds.
- **Level 2:** Financial assets included in this category are measured at fair value based on inputs other than quoted prices included in Level 1 above, that are observable for the asset either directly or indirectly. Level 2 inputs include quoted market prices for similar assets in active markets, and other inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets measured at Level 2 include certain government and governmental agency securities, most investment grade and high yield corporate bonds, certain residential mortgage backed securities (“RMBS”), commercial mortgage backed securities (“CMBS”) and collateralised debt obligations/asset backed securities (“CDO/ABS”) and certain derivative contracts.
- **Level 3:** Financial assets included in this category are measured at fair value based on prices provided by brokers derived from valuation techniques (models) that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. Assets measured at Level 3 include certain RMBS, CMBS and CDO/ABS, corporate bonds, and certain derivative contracts. The Company’s non-financial instrument assets that are measured at fair value on a non-recurring basis generally are classified as Level 3.

6.2 Valuation Methodologies

The following is a description of the valuation methodologies used for instruments carried at fair value:

6.2.1 Fixed Maturity Securities

Whenever available, the Company obtains quoted prices in active markets for identical assets at the financial position date to measure fixed maturity securities at fair value in its available-for-sale portfolios. Market price data is generally obtained from dealer markets.

Management is responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions. The Company employs independent third-party valuation service providers to gather, analyse and interpret market information, and derive fair values based upon relevant methodologies and assumptions for individual instruments. When the

Company’s valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely accepted internal valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and through the use of widely accepted valuation models provide a single fair value measurement for individual securities for which a fair value has been requested under the terms of service agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, benchmark yields, interest rate yield curves, credit spreads, currency rates, quoted prices for similar securities and other market observable information, as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector, and when applicable, collateral quality and other security or issuer-specific information. When market transactions or other market observable data is limited, the extent to which judgement is applied in determining fair value is greatly increased.

The Company has processes designed to ensure that the values received are accurately recorded, that the data inputs and the valuation techniques utilised are appropriate and consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. The Company assesses the reasonableness of individual security values received from valuation service providers through various analytical techniques. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from the Company‘s valuation service providers to other third-party valuation sources for selected securities. The Company also validates prices for selected securities obtained from brokers through reviews by members of management who have relevant expertise and who are independent of those charged with executing investing transactions.

The methodology described above is relevant for all fixed maturity securities. The following paragraphs set out certain procedures unique to specific classes of securities.

6.2.2 Fixed Maturity Securities Issued by Government Entities

For most debt securities issued by government entities, the Company obtains fair value information from independent third-party valuation service providers, as limited quoted prices in active markets are available for debt securities issued by government entities. The fair values received from these valuation service providers may be based on a market approach using matrix pricing, which considers a security‘s relationship to other securities for which a quoted price in an active market may be available, or alternatively based on an income approach, which uses valuation techniques to convert future cash flows to a single present value amount.

6.2.3 Fixed Maturity Securities Issued by Corporate Entities

For most debt securities issued by corporate entities, the Company obtains fair value information from third-party valuation service providers. For certain corporate debt securities, the Company obtains fair value information from brokers.

6.2.4 RMBS/CMBS/CDOs and Other ABS

Third-party valuation service providers also provide fair value information for the majority of the Company‘s investments in RMBS, CMBS, CDOs and other ABS. Where pricing is not available from valuation service providers, the Company obtains fair value information from brokers. Broker prices may be based on an income approach, which converts expected future cash flows to a single present value amount, with specific consideration of inputs relevant to structured securities, including ratings, collateral types, geographic concentrations, underlying loan vintages, loan delinquencies, and weighted average coupons and maturities. Broker prices may also be based on a market approach that considers recent transactions involving identical or similar securities. When the volume or level of market activity for an investment in RMBS, CMBS, CDOs or other ABS is limited, certain inputs used to determine fair value may not be observable in the market.

6.2.5 Equity Securities

Equity securities held by the Company relate to investments in real estate investment funds and are held at fair value. Where the Company acquires any unquoted equities where the Company does not have any significant influence these equity investments will not have a quoted market price in an active market and fair values cannot be reliably measured, therefore these are held at cost in accordance with IAS 39. Currently the Company holds investments in real estate investment funds only.

6.2.6 Short Term Investments

Short Term Investments are held at amortised cost in line with their classification as loans and receivables under IAS 39. Amortised cost is calculated using the effective interest method, which allocates interest income/expense over the relevant period by applying the effective interest rate to the carrying amount of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. These are classified as Short Term Deposits and are reported within Note 20.1.

6.2.7 Loans Receivables

The Company holds Loans Receivable at amortised cost in line with their classification as loans and receivables under IAS 39. Amortised cost is calculated using the effective interest method, which allocates interest income/expense over the relevant year by applying the effective interest rate to the carrying amount of the asset. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

At 30 November 2020 the estimated fair value of the Loans Receivable held at amortised cost was £270.1 million (2019: £274.8 million) which represents a £2.1 million (2019: £0.2 million) increase/decrease on the carrying amount at that date. The carrying amount of the short term investments measured at amortised cost at 30 November 2020 is deemed to be a reasonable estimate of the fair value at that date.

6.3 Analysis by Hierarchy

The following table shows an analysis of financial instruments at fair value by each level within the fair value hierarchy:

At 30 November 2020	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets:				
Available-for-sale debt securities:				
Fixed maturity securities issued by Government entities	9.0	1,647.1	-	**1,656.1**
Fixed maturity securities issued by corporate entities	-	2,507.3	-	**2,507.3**
CMBS	-	32.6	-	**32.6**
Total available-for-sale debt securities (Note 17)	**9.0**	**4,187.0**	**-**	**4,196.0**
Available-for-sale equity securities				
Equity instruments	-	-	77.0	**77.0**
Total available-for-sale equity securities (Note 17)	**-**	**-**	**77.0**	**77.0**
Total Assets	**9.0**	**4,187.0**	**77.0**	**4,273.0**

At 30 November 2019	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets:				
Available-for-sale debt securities:				
Fixed maturity securities issued by Government entities	3.6	1,767.0	-	**1,770.6**
Fixed maturity securities issued by corporate entities	-	2,348.4	-	**2,348.4**
CMBS	-	35.3	-	**35.3**
Total available-for-sale debt securities (Note 17)	**3.6**	**4,150.7**	**-**	**4,154.3**
Available-for-sale equity securities				
Equity instruments	-	-	76.7	**76.7**
Total available-for-sale equity securities (Note 17)	**-**	**-**	**76.7**	**76.7**
Total Assets	**3.6**	**4,150.7**	**76.7**	**4,231.0**

6.4 Transfers Between Hierarchies

Transfers of Level 1 and Level 2 Assets and Liabilities
The Company's policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the years ended 30 November 2020 and 2019, there were no transfers from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. During the years ended 30 November 2020 and 2019, there were no transfers of assets from Level 2 to Level 1.

Reconciliation of Movements in Level 3 Financial Investments at Fair Value
A reconciliation of the movements during the year of financial assets measured using inputs not based on observable market data is shown below:

	30 November 2020 £'m	30 November 2019 £'m
Fair value at beginning of year (1 December)	76.7	-
Transfers in on group restructuring	-	97.9
Additions	-	14.3
Disposals	-	(50.4)
Total gains and losses recognised in profit and loss for the year	-	(3.2)
Total gains and losses recognised in other comprehensive income	0.3	18.1
Fair value at end of year (30 November)	**77.0**	**76.7**

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the net unrealised gains and losses on instruments held at 30 November 2020 and 2019 may include changes in fair value that were attributable to both observable (e.g. changes in market interest rates) and unobservable inputs (e.g. changes in unobservable long-dated volatilities). During the years ended 30 November 2020 and 2019, there were no transfers from Level 1 or Level 2 to Level 3 or from Level 3 to Level 1 or Level 2.

Transfers of Level 3 Assets and Liabilities
The Company's policy is to transfer assets and liabilities into Level 3 when a significant input cannot be corroborated with market observable data. This may include circumstances in which market activity has dramatically decreased and transparency to underlying inputs cannot be observed, current prices are not available and substantial price variances in quotations among market participants exist. Assets are transferred out of Level 3 when circumstances change such that significant inputs can be corroborated with market observable data. This may be due to a significant increase in market activity for the asset, a specific event, one or more significant input(s) becoming observable, or when a long-term interest rate significant to a valuation becomes short-term and thus observable. There have not been any transfers in the year (refer to table above).

6.5 Sensitivity to Changes in Unobservable Inputs

The Company considers unobservable inputs to be those for which market data is not available and that are developed using the best information available to the Company about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The following is a general description of sensitivities of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Inter-relationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply.

7 EXCHANGE RATES

The Company has operations reported in US dollars ("USD"). The results during the year have been translated into pound sterling at the average rate for the year and their assets and liabilities at the closing rate for the year. The USD rates are set out below:

	2020	**2019**
USD		
Average rate (GBP 1 equals)	$1.320	$1.288
Closing rate (GBP 1 equals)	$1.335	$1.293

8 ANALYSIS OF TECHNICAL ACCOUNT

For the year ended 30 November 2020	Personal Insurance £'m	Casualty £'m	Financial Lines £'m	Property £'m	Specialty £'m	**Total £'m**
Gross premiums written	*279.8*	*409.5*	*409.4*	*303.9*	*847.1*	***2,249.7***
Gross premiums earned	274.4	402.8	402.2	301.2	840.0	**2,220.6**
Gross claims incurred	(200.3)	(268.4)	(466.9)	(77.8)	(292.5)	**(1,305.9)**
Gross operating expenses	(94.9)	(84.7)	(89.8)	(34.7)	(135.8)	**(439.9)**
Reinsurance balance	13.1	(28.8)	(5.5)	(223.5)	(368.0)	**(612.7)**
Net technical account balance before allocated investment return	**(7.7)**	**20.9**	**(160.0)**	**(34.8)**	**43.7**	**(137.9)**
Allocated investment return transferred from the non-technical account						113.3
Balance on technical account for general business						**(24.6)**

For the year ended 30 November 2019	Personal Insurance £'m	Casualty £'m	Financial Lines £'m	Property £'m	Specialty £'m	**Total £'m**
Gross premiums written	*228.0*	*413.0*	*376.0*	*251.0*	*864.3*	***2,132.3***
Gross premiums earned	211.7	442.3	370.9	303.2	849.7	**2,177.8**
Gross claims incurred	(109.3)	(301.2)	(367.8)	(354.2)	(882.1)	**(2,014.6)**
Gross operating expenses	(88.4)	(93.5)	(109.7)	(55.9)	(169.2)	**(516.7)**
Reinsurance balance	(14.4)	(24.1)	40.9	134.1	253.8	**390.3**
Net technical account balance before allocated investment return	**(0.4)**	**23.5**	**(65.7)**	**27.2**	**52.2**	**36.8**
Allocated investment return transferred from the non-technical account						116.4
Balance on technical account for general business						**153.2**

9 ADMINISTRATIVE EXPENSES

	30 November 2020 £'m	30 November 2019 £'m
Staff costs	109.4	117.2
Professional fees	11.1	13.8
Premises	9.9	9.6
Depreciation and amortisation	12.2	8.6
Travel	1.1	3.6
IT	2.6	1.5
Audit fee	1.8	1.7
Other expenses	(42.5)	3.2
	105.6	**159.2**

The credit within “other expenses” above relates to a refund the Company received from its Corporate Office in relation to an adjustment on head office charges billed in prior years.

10 INCOME FROM OTHER INVESTMENTS

10.1 Income Analysis

	30 November 2020 £'m	30 November 2019 £'m
Interest income from debt securities:		
Available-for-sale financial assets	107.1	116.1
Interest income:		
From loans and receivables	5.4	6.0
From cash and cash equivalents	1.1	3.4
	113.6	**125.5**

10.2 Allocated Investment Return Transferred to the General Business Technical Account

The Company makes an allocation of the actual investment return on investments less related expenses from the non-technical account to the technical account to reflect the fact that these investments are wholly held to support our general insurance technical provisions and associated equity.

	30 November 2020 £'m
Investment income	131.1
Investment expenses and charges	(17.8)
Allocated investment return transferred to the general business technical account	**113.3**

The Company has made this change in the current year to better reflect how its investment portfolio supports the general insurance business which we believe now provides more accurate information to the users of these financial statements. This allocation was not performed in 2019, however had it been made, the table below shows the impact on the relevant financial statement line items on the Technical and Non-Technical Account for the year ended 30 November 2019.

	30 November 2019 As Published £'m	30 November 2019 As Restated £'m
Balance on technical account for general business	36.8	153.2
Allocated investment return transferred to the general business technical account	-	(116.4)
Profit on ordinary activities before tax	186.4	186.4

11 OTHER INCOME

	30 November 2020 £'m	30 November 2019 £'m
Rental income from property	0.2	0.4
Policy fee income	8.1	8.2
Net foreign exchange gains	10.2	24.6
	18.5	**33.2**

12 TAX ON PROFIT ON ORDINARY ACTIVITIES

12.1 Analysis of tax charge in the year

	30 November 2020 £'m	30 November 2019 £'m
Current tax:		
For the current year	-	19.9
Adjustments in respect of previous years	3.5	-
Total current tax	**3.5**	**19.9**
Deferred tax:		
Effect of taxation treatment of technical reserves	(3.7)	(3.5)
Capital allowances lower than/(in excess of) depreciation	0.6	0.4
Net operating losses	0.8	18.0
Effect of taxation treatment for pension	-	0.2
Effect of changes in tax rate	(0.5)	-
Share based payments	1.4	(0.9)
Adjustments in respect of previous years	(0.4)	5.5
Total deferred tax charge	**(1.8)**	**19.7**
Income tax expense for the year	**1.7**	**39.6**

12.2 Analysis of factors affecting the tax charge for the year

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax for the UK. The differences are explained below:

	30 November 2020 £'m	30 November 2019 £'m
(Loss)/profit on ordinary activities before tax	**(6.1)**	**186.4**
Loss/profit on ordinary activities before tax multiplited by standard rate of corporation tax in the UK of 19% (2019: 19%)	(1.2)	35.4
Effects of:		
Expenses not deductible for tax purposes	0.2	0.2
Effect of tax rate differences	(0.5)	(1.5)
Adjustments in respect of previous years	3.2	5.5
Tax charge for the year	**1.7**	**39.6**

12.3 Tax charge to other comprehensive income

	30 November 2020 £'m	30 November 2019 £'m
Current tax:	(5.0)	-
Total current tax	**(5.0)**	**-**
Deferred tax:		
Items that may be reclassified subsequently to profit and loss		
In respect of fair value movements on financial assets	8.3	18.4
Total deferred tax	**8.3**	**18.4**
Tax charge to other comprehensive income	**3.3**	**18.4**

13 PROFIT FOR THE YEAR

13.1 Charges to profit for the year

	30 November 2020 £'m	30 November 2019 £'m
Profit for the year is stated after charging:		
Amortisation of intangible assets (note 14)	4.5	1.4
Depreciation charge for the year (note 15)	7.7	7.2
Operating leases	0.3	1.3

13.2 Auditors' remuneration

	30 November 2020 £'m	30 November 2019 £'m
Fees paid to the Company's Auditors and their associates for the audit of the financial statements	1.6	1.5
Fees paid to the Company's Auditors and their associates for other services:		
The audit of Company's subsidiaries	0.1	0.1
Audit related assurance services	0.1	0.1
	1.8	**1.7**

13.3 Employee costs

	30 November 2020 £'m	30 November 2019 £'m
Wages and salaries	87.0	97.0
Social security costs	10.9	11.3
Post retirement benefits:		
Defined benefit schemes	0.5	(0.4)
Defined contribution schemes	7.6	7.5
Termination benefits	3.4	1.8
	109.4	**117.2**

13.4 Staff numbers

The staff numbers below includes staff directly employed within the United Kingdom as well as those employed by other AIG businesses that support the UK business and whose costs appear in the UK cost base.

	30 November 2020 Number	30 November 2019 Number
United Kingdom	**1,207**	**1,271**

13.5 Directors' emoluments

	30 November 2020 £'m	30 November 2019 £'m
Aggregate emoluments:	2.6	3.8
Aggregate value of contributions in respect of money purchase pension scheme	-	-
Aggregate value of contributions in respect of long term incentive schemes	0.5	0.8
Highest paid director:		
Emoluments of the highest paid director	1.4	1.0
Contributions to money purchase pension scheme of the highest paid director	-	-

For both years presented, no directors were members of the defined benefit pension scheme operated by the Company.

14 INTANGIBLE ASSETS

	Software development £'m	Acquired brands and other £'m	Total £'m
Cost			
Balance at 1 December 2018	-	-	**-**
Additions	1.4	-	**1.4**
Transfers in on group restructuring	36.4	4.0	**40.4**
Disposals	(14.2)	(0.1)	**(14.3)**
Balance at 30 November 2019	**23.6**	**3.9**	**27.5**
Additions	8.5	-	**8.5**
Disposals	(0.3)	-	**(0.3)**
Foreign exchange movements	0.3	-	**0.3**
Balance at 30 November 2020	**32.1**	**3.9**	**36.0**
Amortisation and impairment			
Balance at 1 December 2018	-	-	**-**
Transfers in on group restructuring	27.8	0.8	**28.6**
Disposals	(8.4)	-	**(8.4)**
Amortisation charge for the year	1.0	0.4	**1.4**
Balance at 30 November 2019	**20.4**	**1.2**	**21.6**
Disposals	0.1	-	**0.1**
Amortisation charge for the year	4.1	0.4	**4.5**
Balance at 30 November 2020	**24.6**	**1.6**	**26.2**
Carrying amount			
At 30 November 2020	**7.5**	**2.3**	**9.8**
At 30 November 2019	3.2	2.7	5.9

The amortisation charge shown above for £4.5 million can be found within Note 13.

15 PROPERTY AND EQUIPMENT

The Company's land and buildings are stated at their revalued amounts, representing the fair value at the date of revaluation, less any subsequent depreciation and accumulated impairment losses. The Company's land and buildings in London and Croydon were last valued by CBRE Limited as at 30 November 2019. The valuation methods utilised include the comparable method which compares the subject asset with similar assets for which information is available, and the hard core traditional method, which measures the value of property by an estimate of current market rental value plus any capital costs for fittings. The valuations have been adjusted by taking consideration of interest rates and yield curves observable, as well as implied risk and mitigating factors. Since the last formal valuation, the Company have considered any factors that may have impacted the fair value and determined there are no indicators that suggest any material change in the carrying value.

	Land and buildings £'m	Leasehold improvements and Fixtures & Fittings £'m	Total £'m
Cost or valuation			
Balance at 1 December 2018	-	-	**-**
Transfers in on group restructuring	105.7	44.1	**149.8**
Disposals	-	(1.2)	**(1.2)**
Movements in fair value	2.9	-	**2.9**
Balance at 30 November 2019	**108.6**	**42.9**	**151.5**
Additions	-	4.3	**4.3**
Movements in fair value	-	0.3	**0.3**
Balance at 30 November 2020	**108.6**	**47.5**	**156.1**
Accumulated depreciation			
Balance at 1 December 2018	-	-	**-**
Transfers in on group restructuring	9.7	23.6	**33.3**
Charge for the year	2.8	4.4	**7.2**
Balance at 30 November 2019	12.5	**28.0**	**40.5**
Disposals	-	0.1	**0.1**
Charge for the year	3.2	4.4	**7.6**
Balance at 30 November 2020	**15.7**	**32.5**	**48.2**
Carrying amount			
At 30 November 2020	**92.9**	**15.0**	**107.9**
At 30 November 2019	96.1	14.9	111.0

Cost Model disclosures

The carrying amount of land and buildings that would have been recognised in the Statement of Financial Position under the cost model at 30 November 2020 was £90.0 million (30 November 2019: £93.2 million).

16 INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	2020 £'m	2019 £'m
At beginning of year (1 December)	19.1	-
Transfers in on group restructuring	-	19.1
Disposal	(0.1)	-
At end of year (30 November)	**19.0**	**19.1**
Cost and net book value of investment	19.0	19.1

Notes to the Financial Statements for the year ended 30 November 2020

The Company owns 100% (2019: 100%) of the ordinary share capital of AIG Europe (Services) Limited.

Subsidiary	Principal activity	Registered office	Proportion of ownership 2020	2019
AIG Europe (Services) Limited	Administrative services	The AIG Building, 58 Fenchurch Street, London EC3M 4AB	100.0%	100.0%

17 OTHER FINANCIAL INVESTMENTS

17.1 Analysis of fair value

	Amortised cost or cost £'m	Unrealised gains £'m	Unrealised losses and impairment £'m	Total £'m
At 30 November 2020				
Available-for-sale debt securities:				
Government and governmental agencies	1,601.4	55.0	(0.3)	**1,656.1**
Corporate debt	2,402.4	106.1	(1.2)	**2,507.3**
CMBS	32.0	1.0	(0.4)	**32.6**
Total debt securities at available-for-sale	**4,035.8**	**162.1**	**(1.9)**	**4,196.0**
Available-for-sale equity instruments:				
Equity instruments	54.2	22.8	-	77.0
Total equity securities at available-for-sale	**54.2**	**22.8**	**-**	**77.0**
Total debt securities and equity securities	**4,090.0**	**184.9**	**(1.9)**	**4,273.0**
Loans and Receivables:				
Loan participations	268.0	-	-	**268.0**
Total loans and receivables at cost	**268.0**	**-**	**-**	**268.0**
Total	**4,358.0**	**184.9**	**(1.9)**	**4,541.0**

	Amortised cost or cost £'m	Unrealised gains £'m	Unrealised losses and impairment £'m	Total £'m
At 30 November 2019				
Available-for-sale debt securities:				
Government and governmental agencies	1,744.6	27.9	(1.9)	**1,770.6**
Corporate debt	2,292.3	61.7	(5.6)	**2,348.4**
CMBS	34.2	1.1	-	**35.3**
Total debt securities at available-for-sale	**4,071.1**	**90.7**	**(7.5)**	**4,154.3**
Available-for-sale equity instruments:				
Equity instruments	58.6	18.1	-	76.7
Total equity securities at available-for-sale	**58.6**	**18.1**	**-**	**76.7**
Total debt securities and equity securities	**4,129.7**	**108.8**	**(7.5)**	**4,231.0**
Loans and Receivables:				
Loan participations	275.0	-	-	**275.0**
Total loans and receivables at cost	**275.0**	**-**	**-**	**275.0**
Total	**4,404.7**	**108.8**	**(7.5)**	**4,506.0**

Included in the analysis of fair value of financial investments are tied assets required for regulatory purposes as restricted assets against insurance liabilities. The debt securities pledged as restricted assets are held in separate custodian accounts; however, as substantially all of the risks and rewards of ownership of these investments have been retained by the Company, the investments have not been derecognised. The total amount of debt securities pledged at 30 November 2020 was £314.7 million (2019: £328.5 million).

17.2 Impairment of financial investments – evaluating investments for impairment

Fixed maturity securities

The evaluation of impairment of fixed maturity securities is a two-step process. First, AIG performs an impairment review of the debt security on an instrument-by-instrument basis at each Statement of Financial Position date. The aim of this review is to determine whether there is objective evidence that impairment exists for a fixed maturity security. Secondly, if there is objective evidence of impairment, AIG measures and records the impairment loss in that reporting year. A fixed maturity security is impaired and impairment losses are recognised at the Statement of Financial Position date only if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset.

It may not always be possible to identify a single, discrete event that causes an impairment. Rather, the combined effect of several events may cause an impairment. The loss event must have a reliably measurable effect on the present value of estimated future cash flows and be supported by current observable data. Losses expected as a result of future events (as opposed to past events), no matter how likely, are not recognised. That is, the impairment model for fixed maturity income securities is based on the “incurred loss” model and not on an “expected loss” model.

Objective evidence includes observable data that comes to AIG’s attention as the holder of the security. Indicators that a fixed maturity security is impaired include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- A lender, for economic or legal reasons relating to the issuer’s financial difficulty, granting to the issuer a concession that the lender would not otherwise consider;
- It becoming probable that the issuer will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that security because of financial difficulties;
- Changes in the issuer’s financial environment evidenced by changes in factors such as liquidity;
- Worsening credit rating, profitability, cash flow, debt/equity ratio and level of dividend payment;
- Length of time fair value has been below cost; and
- Subsequent sales of similar securities at a loss.

The disappearance of an active market or the downgrade of an entity’s credit rating is not in itself evidence of impairment, although it may be evidence of impairment when considered with other information.

For available for sale fixed maturity securities, if there is objective evidence that an impairment loss on the security has been incurred and a decline in the fair value of an AFS security has been recognised in OCI, the cumulative loss that has been recognised in OCI is be reclassified to profit or loss (i.e. realised capital gains and losses). The cumulative loss is the difference between the amortised cost and the current fair value of the security, less any impairment loss on the security previously recognised in profit or loss (i.e. realised capital gains and losses).

18 REINSURERS SHARE OF TECHNICAL PROVISIONS

In the ordinary course of business, the Company places reinsurance with affiliated and unaffiliated reinsurance and insurance companies in order to manage ongoing risk exposures. A variety of traditional reinsurance products are used in connection with the Company's risk management strategy. These products include excess of loss treaties which are designed to limit exposure to potentially substantial losses, and quota share treaties which cover specific lines of business. Facultative reinsurance is also used to manage large policy specific individual risk exposures. The Company utilises catastrophe reinsurance treaties to manage its exposure to losses resulting from natural catastrophes and other events which may result in significant losses.

Ceded premiums for prospective reinsurance contracts are considered prepaid insurance premiums and are recognised as a reduction of premiums earned over the contract period, which approximates the period of risk over which insurance protection is provided, in proportion to the coverage received. Amounts recoverable from reinsurers are estimated in a manner consistent with the loss reserves associated with the reinsurance and presented as a component of reinsurance assets.

	30 November 2020 £'m	30 November 2019 £'m
Reinsurers' share of provisions for claims		
Claims reported	757.1	1,091.5
Claims incurred but not reported	778.9	671.2
Loss adjustment expenses	27.8	43.1
Total	**1,563.8**	1,805.8
Reinsurers' share of unearned premiums	408.7	397.7
Total reinsurance assets	**1,972.5**	**2,203.5**
Amounts to be settled within one year	529.0	746.7
Amounts to be settled after one year	1,443.5	1,456.8
Total	**1,972.5**	**2,203.5**

19 OTHER DEBTORS – INCLUDING INSURANCE RECEIVABLES

	30 November 2020 £'m	30 November 2019 £'m
Debtors arising out of direct insurance operations:		
Due from policyholders	718.0	659.3
Due from related parties	27.5	34.1
	745.5	**693.4**
Debtors arising out of reinsurance operations		
Due from policyholders	28.7	36.6
Due from related parties	110.0	169.2
	138.7	**205.8**
Other debtors:		
Other	16.9	16.0
Other - due from related parties	34.2	62.0
	51.1	**78.0**
Total debtors	**935.3**	**977.2**
Amounts to be settled within one year	915.5	919.3
Amounts to be settled after one year	19.8	57.9
	935.3	**977.2**

20 OTHER ASSETS

20.1 Cash at bank and in-hand

	30 November 2020 £'m	30 November 2019 £'m
Cash at bank	187.4	75.9
Short term deposits	10.6	76.7
	198.0	**152.6**

The effective interest rate on short-term deposits with credit institutions was 0.30% (2019: 0.87%) and has an average maturity of 13.6 days (2019: 3.9 days).

20.2 Other

	30 November 2020 £'m	30 November 2019 £'m
Other assets	56.1	50.2
Pension asset (note 20.3)	29.0	25.6
	85.1	**75.8**

20.3 Pension asset

The Company operates two pension plans in association with other group companies operating in the UK, a defined benefit plan (The AIG Pension Plan) and a defined contribution plan (The AIG Retirement Savings Plan). New entrants join The AIG Retirement Savings Plan, as the AIG Pension Plan is closed to new employees and future accrual. The pension plans are administered by an external administrator, with trustees comprising representatives of the employer, staff and pensioner members. The assets are held under a self-administered Trust Fund and are separate from the Company's assets.

The AIG Pension Plan (hereafter referred to as "the UK Plan"), is a group plan for UK based employees. The plan closed to future accrual on 31 October 2012. Since that date the service cost payable by the Company has been limited to the administration expenses for the UK Plan only. For the year-end 30 November 2020, administration expenses are reported as a separate line item in the pension expense. The Company paid administration expenses and deficit contributions of £0.4 million (2019: £0.4 million). A link to salary has been maintained for active members of the UK Plan at the closure. All active employees accrue benefits on a defined contribution basis in The AIG Retirement Savings Plan.

The UK Plan provides a pension at retirement based on salary and service. It is governed by Trustees and a Trust Deed and Rules. The Pensions Regulator in the UK sets out additional requirements which Trustees and the Company must comply with including funding requirements and reporting. Fluctuations in interest rates, investment returns and inflation as well as member longevity present risks to the Company in the future.

The last formal funding valuation for the UK Plan was carried out as at 5 April 2019 and showed a surplus of assets over liabilities at that time of £15.4 million. The Company also makes payments to the Plan of £36.5k each month in respect of administration expenses.

The investment strategy is set by the Trustees in consultation with the Company.

Notes to the Financial Statements for the year ended 30 November 2020

The following disclosures are presented in accordance with IAS19(R).

Membership Details

Membership details and plan position	30 November 2020 Number of Members	30 November 2020 £'m	30 November 2019 Number of Members	30 November 2019 £'m
Active members	19	(13.6)	34	(19.2)
Deferred members	280	(63.1)	389	(61.2)
Pensioners	329	(73.1)	291	(64.4)
	628	**(149.8)**	**714**	**(144.8)**
Plan assets		178.8		170.4
Net asset - funded pension plan		**29.0**		**25.6**

Movement in the Plan

The following table discloses the movement in the pension plan.

Movement in the UK plan	Plan liabilities £'m	Plan assets £'m	Net asset £'m
Net asset at 1 December 2018	**-**	**-**	**-**
Transfers in on group restructuring	(136.8)	170.4	**33.6**
Interest expense on plan liabilities	(3.8)	-	**(3.8)**
Benefits paid	3.9	(3.9)	**-**
Settlement payments	14.3	(14.3)	**-**
Effect of changes in assumptions	(22.9)	-	**(22.9)**
Effect of experience adjustments	0.5	-	**0.5**
Interest income on plan assets	-	4.8	**4.8**
Employer contributions	-	0.4	**0.4**
Administrative expenses	-	(0.6)	**(0.6)**
Return on plan assets	-	13.6	**13.6**
Net asset at 30 November 2019	**(144.8)**	**170.4**	**25.6**
Gain on plan changes	(0.4)	-	**(0.4)**
Interest expense on plan liabilities	(2.8)	-	**(2.8)**
Benefits paid	4.7	(4.7)	**-**
Settlement payments	-	-	**-**
Effect of changes in assumptions	(10.3)	-	**(10.3)**
Effect of experience adjustments	3.8	-	**3.8**
Interest income on plan assets	-	3.3	**3.3**
Employer contributions	-	0.4	**0.4**
Administrative expenses	-	(0.6)	**(0.6)**
Return on plan assets	-	10.0	**10.0**
Net asset at 30 November 2020	**(149.8)**	**178.8**	**29.0**

Actuarial Assumptions

Liabilities have been determined using the projected unit credit method to discount the best estimate of future cash flows to be paid out of the plan. This takes into consideration the accrued benefits at the date of valuation plan and makes an allowance for projected future earnings (where applicable). The calculation of the plan liabilities is dependent upon a number of actuarial assumptions and changes in these assumptions can materially affect the measurement of the pension obligations.

Valuations and Assumptions

The valuations calculated for the purposes of IAS 19 have been based upon the most recent full actuarial valuation, updated in accordance with the requirements of IAS 19 to determine the liabilities and assets of the plan at 30 November 2020 and 2019.

The main actuarial assumptions that have a material impact on the valuation of the scheme liabilities under IAS 19 are (per annum):

Actuarial assumptions	30 November 2020 %	30 November 2019 %
Pensionable salary increases	2.25%	2.00%
Pension increases	3.00%	2.75%
Inflation rate	RPI: 3.00% CPI: 2.25%	RPI: 2.75% CPI: 2.00%
Discount rate	1.56%	1.97%
Mortality assumption	99% Males S3PA Light Tables / 85% Females S3PA Middle Tables with CMI projections (2018 model) converging to long term rate of 1.75% p.a. for Males and 1.5% p.a. for Females (Sk = 7.5)	S2PA (95% males, 85% females) light tables CMI projections (2015 model) converging to a long term rate of 1.5% p.a.

Mortality

The following table shows the average life expectancy at 30 November 2020 and 2019:

Mortality table	30 November 2020 Years	30 November 2019 Years
Life expectancy/pension duration at age 65 of a male member		
Retiring today	23.9	24.3
Retiring in 25 years	26.3	27.0
Life expectancy/pension duration at age 65 of a female member		
Retiring today	25.3	26.2
Retiring in 25 years	27.5	29.1

Sensitivity to Key Assumptions

The discount rate and mortality are the two assumptions that have the most significant impact on the value of the plan's liabilities. In addition the sensitivity to the inflation assumption has also been considered. The following table sets out the increase/(decrease) in plan liabilities for movements in these assumptions as at the year end.

Sensitivity table	30 November 2020 £'m	30 November 2019 £'m
Defined benefit obligation	149.8	144.8
Discount rate		
0.25% increase	143.6	138.5
0.25% decrease	156.4	151.5
Inflation rate		
0.25% increase	154.5	149.1
0.25% decrease	145.3	140.7
Member age assumed to be one year younger than actual age	155.1	149.0

Each sensitivity analysis considers the change in one assumption at a time leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related, except for the inflation assumption which has a knock on impact on pension increases. The method used to carry out the sensitivity analysis is the same as in the prior year.

Notes to the Financial Statements for the year ended 30 November 2020

Pension Credit/(Charge)

Analysis of amounts credited to/(charged to) Statement of Comprehensive Income	30 November 2020 £'m	30 November 2019 £'m
Gain on plan changes	0.4	-
Interest expense on plan liabilities	2.8	3.8
Interest income on plan assets	(3.3)	(4.8)
Total net interest cost	(0.1)	(1.0)
Administrative expenses and taxes	0.6	0.6
Total pension credit/(charge)	**0.5**	**(0.4)**

Analysis of amounts charged to Other Comprehensive Income	30 November 2020 £'m	30 November 2019 £'m
Actual return on those assets	10.0	13.5
Effect of experience adjustments	3.8	0.5
Effect of changes in assumptions	(10.3)	(22.9)
Total pension charge	**3.5**	**(8.9)**

For the year ended 30 November 2020, expected employer contributions into the plan are £0.4 million.

Plan Assets

The assets of the plan are held separately from those of the Company, being invested with external investment managers, to meet long term pension liabilities of past and present members. The investment managers make investment decisions based on guidelines laid down by the Trustees/Board (as applicable).

The following table provides an analysis of the fair value and composition of the plan assets:

Plan assets - quoted	30 November 2020 £'m	30 November 2019 £'m
Debt securities	150.2	133.1
Equity instruments	23.2	36.7
Cash and cash equivalents	3.6	0.6
Real estate	1.8	-
Total	**178.8**	**170.4**

21 CAPITAL AND RESERVES

21.1 Called up share capital and share premium

Ordinary shares at £1 each	Number	Share capital £'m	Share premium £'m
At 1 December 2018	37,001	-	3.7
Transfer in on group restructuring	15,282,872	15.3	1,060.0
At 30 November 2019	**15,319,873**	**15.3**	**1,063.7**
Shares issued in year	-	-	-
At 30 November 2020	**15,319,873**	**15.3**	**1,063.7**

The Company has issued and allotted 15,319,873 fully paid ordinary shares of £1 each. There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

In the prior year, AIG Europe Limited transferred its UK business to the Company. This was in exchange for 15,282,872 ordinary shares at par value totalling £15.3 million and a share premium of £1,060.0 million and group reconstruction relief of £518.3 million. This total of £1,593.6 million was equal to the net asset value of assets and liabilities transferred.

21.2 Other reserves

Other Reserves	Currency translation reserve £'m	AFS fair value reserve £'m	Other £'m	Total other reserves £'m
At 1 December 2018	**-**	**-**	**-**	**-**
Fair value gains and losses	-	92.5	-	**92.5**
Foreign exchange movements	(17.3)	-	-	**(17.3)**
Other Reserves	-	-	(7.9)	**(7.9)**
At 30 November 2019	**(17.3)**	**92.5**	**(7.9)**	**67.3**
Fair value gains and losses	-	61.9	-	**61.9**
Foreign exchange movements	(26.3)	-	-	**(26.3)**
Other Reserves	-	-	(16.8)	**(16.8)**
At 30 November 2020	**(43.6)**	**154.4**	**(24.7)**	**86.1**

21.3 Profit and loss account

	£'m
At 1 December 2018	**-**
Transfer in on group restructuring	518.3
Profit for the year	146.8
Other comprehensive expense	(8.9)
Equity settled share based payment schemes	6.9
At 30 November 2019	**663.1**
Loss for the year	(7.8)
Other comprehensive income	3.5
Equity settled share based payment schemes	4.1
At 30 November 2020	**662.9**

22 TECHNICAL PROVISIONS

The Company establishes claim reserves, which are estimates of future payments of reported and unreported claims and claim adjustment expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgements. Any changes in estimates or judgements are reflected in the results of operations in the year in which estimates and judgements are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the financial position date. The reserves for claims and claims adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

22.1 Analysis of technical provisions

An analysis of the gross and net provisions is shown below:

Gross basis	30 November 2020 £'m	30 November 2019 £'m
Claims reported	1,990.4	2,342.5
Claims incurred but not reported (IBNR)	2,343.8	2,135.3
Loss adjustment expenses	93.3	94.5
Claims outstanding including IBNR and LAE	**4,427.5**	**4,572.3**
Unearned premiums	1,082.2	1,057.4
Gross basis	**5,509.7**	**5,629.7**
Recoverable from reinsurers		
Claims reported	757.1	1,091.5
Claims incurred but not reported (IBNR)	778.9	688.0
Loss adjustment expenses	27.8	26.3
Claims outstanding including IBNR and LAE	**1,563.8**	**1,805.8**
Unearned premiums	408.7	397.7
Recoverable from reinsurers	**1,972.5**	**2,203.5**
Net basis		
Claims reported	1,233.3	1,251.0
Claims incurred but not reported (IBNR)	1,564.9	1,447.3
Loss adjustment expenses	65.5	68.2
Claims outstanding including IBNR and LAE	**2,863.7**	**2,766.5**
Unearned premiums	673.5	659.7
Net basis	**3,537.2**	**3,426.2**

The numbers for 30 November 2019 include a reclassification of £29.4 million (gross basis) and £16.8 million (recoverable from reinsurers) for allocated loss adjustment expenses between “claims incurred but not reported” and “loss adjustment expenses”.

Included within claims incurred but not reported (IBNR) above is £62.1 million (2019: £77.6 million) of unallocated loss adjustment expenses.

Outstanding claims provisions based on undiscounted estimates of future claims payments totalling £190.3 million (2019: £234.9 million) are subject to discounting under AIG policy. Discount rates of 3.5% (2019: 3.5%) for Periodical Payment Orders and 1.5% (2019: 1.5%) on Future Policy Benefits were applied in 2020 resulting in discounted reserves of £91.9 million (2019: £102.0 million).

22.2 Movements in technical provisions – claims

Claims - movement in 2020	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2019	4,572.3	(1,805.8)	**2,766.5**
Claims settled in the year	(1,446.4)	546.1	**(900.3)**
Increase/(decrease) in liabilities			
Arising from current year claims	1,398.3	(534.7)	**863.6**
Arising from prior year claims	(92.4)	243.0	**150.6**
Foreign exchange movements	(4.3)	(12.4)	**(16.7)**
At 30 November 2020	**4,427.5**	**(1,563.8)**	**2,863.7**
Comprising:			
Reported claims	2,083.7	(784.9)	**1,298.8**
Incurred but not reported	2,343.8	(778.9)	**1,564.9**
At 30 November 2020	**4,427.5**	**(1,563.8)**	**2,863.7**

Claims - movement in 2019	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2018	-	-	**-**
Transfer in on group restructuring	4,660.4	(1,562.1)	**3,098.3**
Claims adjustment	(20.4)	2.6	**(17.8)**
Claims settled in the year	(2,046.2)	980.1	**(1,066.1)**
Increase/(decrease) in liabilities			
Arising from current year claims	1,475.1	(643.3)	**831.8**
Arising from prior year claims	539.5	(558.0)	**(18.5)**
Foreign exchange movements	(36.1)	(25.1)	**(61.2)**
At 30 November 2019	**4,572.3**	**(1,805.8)**	**2,766.5**
Comprising:			
Reported claims	2,466.4	(1,134.6)	**1,331.8**
Incurred but not reported	2,105.9	(671.2)	**1,434.7**
At 30 November 2019	**4,572.3**	**(1,805.8)**	**2,766.5**

In the prior year, all of the UK business of AIG Europe Limited, a fellow AIG entity, transferred to the Company pursuant to an insurance business transfer under Part VII of the Financial Services and Markets Act 2000. The transfer of insurance claims is shown above as 'Transfer In on Group Restructuring'.

22.3 Sensitivity analysis

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgements. These estimates and judgements are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company.

In calculating the required levels of provisions, the Company uses a variety of estimation techniques used widely across the market, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

The technical provisions at 30 November 2020 include an allowance for COVID-19 on a best estimate basis. This estimate was initially established through a review of our underlying exposure and an assessment the probability of a loss on a policy-by-policy basis. Our estimates was refined over the year as further information emerged relating to coverage, claims notifications and developments in the legal environment. Whilst there still remains some uncertainty as to the ultimate costs of these claims this is significantly mitigated through our reinsurance coverage. Furthermore, the premium provision includes an allowance for cost of COVID-19 on unearned exposure. Whilst this estimate considers the impact of the general economic, claims and rating environment it anticipates a more benign claims environment in 2021.

The table below shows the current booked reserves compared to the various percentile distributions of AIG's insurance risk distribution. The Company's booked reserves are currently over the 50th percentile of the insurance risk distribution.

					Variance to actual reserves			Variance to actual reserves		
		25th percentile	75th percentile	90th percentile	25th percentile	75th percentile	90th percentile	25th percentile	75th percentile	90th percentile
Reserves	£'m	£'m	£'m	£'m	£'m	£'m	£'m	%	%	%
Total reserves at 30 November 2020	**2,863.7**	2,639.3	3,062.3	3,285.3	(224.4)	198.6	421.6	-7.8%	6.9%	14.7%
Total reserves at 30 November 2019	**2,766.5**	2,548.3	2,956.4	3,176.7	(218.2)	189.9	410.2	-8.2%	7.1%	15.3%

22.4 Loss development tables

The loss development tables presented below show the cumulative provisions for insurance claims, whether reported or not, and related loss adjustment expenses arising for each accident year from 2009 onwards. The historical net insurance claims provision for all outstanding claims arising for accident years prior to 2009 are shown cumulatively as one figure in the right hand column. All amounts shown in the tables have been stated at constant exchange rates based on the rates prevailing at 30 November 2020.

The top half of each table shows the estimated ultimate insurance claims losses and related loss adjustment expenses for each accident year presented as at the end of each reporting year. Movements in these provisions arise as additional information becomes available upon which more accurate estimates of the ultimate insurance claims losses can be made.

The lower half of each table shows the cumulative amounts paid against those claims provisions at the end of each reporting year.

Insurance Claims - Gross

Accident year	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	Total £'m
Estimate of ultimate claims costs											
At end of accident year	1,869.1	1,435.6	1,338.0	1,457.6	1,282.7	1,666.4	1,397.7	1,697.4	1,394.3	1,398.3	
One year later	1,806.5	1,276.5	1,218.6	1,369.6	1,343.4	1,618.5	1,494.1	2,289.3	1,392.5		
Two years later	1,572.2	1,177.1	1,152.1	1,361.7	1,433.2	1,616.9	1,463.3	2,146.0			
Three years later	1,539.8	1,206.4	1,114.6	1,420.8	1,488.2	1,575.9	1,518.7				
Four years later	1,498.6	1,203.8	1,179.3	1,660.5	1,503.4	1,628.8					
Five years later	1,513.5	1,230.0	1,175.0	1,600.5	1,520.9						
Six years later	1,512.5	1,231.3	1,211.9	1,556.6							
Seven years later	1,510.9	1,262.5	1,205.6								
Eight years later	1,510.6	1,248.2									
Nine years later	1,501.9										
Cumulative claims payments											
At end of accident year	(351.4)	(249.2)	(239.7)	(378.4)	(251.0)	(340.3)	(230.2)	(319.0)	(341.9)	(249.9)	
One year later	(880.0)	(602.8)	(551.7)	(762.0)	(640.6)	(844.9)	(666.8)	(1,062.8)	(623.4)		
Two years later	(1,073.7)	(771.6)	(740.4)	(1,131.4)	(866.5)	(1,069.0)	(906.2)	(1,411.1)			
Three years later	(1,226.4)	(893.6)	(863.2)	(1,222.7)	(1,010.1)	(1,218.6)	(1,091.3)				
Four years later	(1,295.6)	(990.4)	(965.7)	(1,337.9)	(1,199.8)	(1,300.5)					
Five years later	(1,360.4)	(1,042.8)	(1,043.2)	(1,390.6)	(1,301.5)						
Six years later	(1,407.4)	(1,114.2)	(1,095.3)	(1,405.1)							
Seven years later	(1,431.2)	(1,174.0)	(1,103.7)								
Eight years later	(1,446.6)	(1,189.1)									
Nine years later	(1,450.1)										
Current estimate of cumulative claims	**1,501.9**	**1,248.2**	**1,205.6**	**1,556.6**	**1,520.9**	**1,628.8**	**1,518.7**	**2,146.0**	**1,392.5**	**1,398.3**	**15,117.5**
Cumulative payments to date	**(1,450.1)**	**(1,189.1)**	**(1,103.7)**	**(1,405.1)**	**(1,301.5)**	**(1,300.5)**	**(1,091.3)**	**(1,411.1)**	**(623.4)**	**(249.9)**	**(11,125.7)**
Claims liability outstanding	**51.8**	**59.1**	**101.9**	**151.5**	**219.4**	**328.3**	**427.4**	**734.9**	**769.1**	**1,148.4**	**3,991.8**
Claims liability for prior years											435.7
Total liability included in Balance Sheet											**4,427.5**

Insurance Claims - Net of Reinsurance

Accident year	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	Total £'m
Estimate of ultimate claims costs											
At end of accident year	878.0	838.1	902.7	921.7	971.3	936.2	989.4	1,024.8	800.0	863.6	
One year later	830.6	788.9	824.0	868.9	992.1	972.6	990.5	1,064.1	782.9		
Two years later	764.9	725.3	779.0	893.3	1,066.0	1,021.3	970.0	1,120.0			
Three years later	765.3	730.4	758.4	930.3	1,093.8	1,018.8	1,052.5				
Four years later	754.5	725.0	806.6	950.5	1,102.0	1,067.5					
Five years later	779.1	733.2	797.4	927.0	1,131.9						
Six years later	789.9	737.6	827.3	888.3							
Seven years later	799.8	743.4	825.8								
Eight years later	790.3	738.9									
Nine years later	785.8										
Cumulative claims payments											
At end of accident year	(163.7)	(156.7)	(159.6)	(166.3)	(192.1)	(183.8)	(170.0)	(200.1)	(195.5)	(159.7)	
One year later	(353.3)	(358.1)	(360.7)	(413.5)	(477.2)	(466.3)	(458.1)	(495.3)	(369.5)		
Two years later	(471.9)	(466.2)	(496.4)	(619.8)	(653.8)	(626.9)	(627.2)	(650.5)			
Three years later	(574.4)	(549.7)	(591.6)	(691.0)	(762.9)	(740.9)	(765.5)				
Four years later	(622.7)	(602.9)	(658.8)	(748.0)	(879.9)	(814.0)					
Five years later	(675.9)	(633.8)	(716.5)	(789.7)	(970.5)						
Six years later	(716.2)	(676.7)	(753.5)	(804.3)							
Seven years later	(736.0)	(692.2)	(760.2)								
Eight years later	(741.7)	(697.9)									
Nine years later	(746.7)										
Current estimate of cumulative claims	**785.8**	**738.9**	**825.8**	**888.3**	**1,131.9**	**1,067.5**	**1,052.5**	**1,120.0**	**782.9**	**863.6**	**9,257.2**
Cumulative payments to date	**(746.7)**	**(697.9)**	**(760.2)**	**(804.3)**	**(970.5)**	**(814.0)**	**(765.5)**	**(650.5)**	**(369.5)**	**(159.7)**	**(6,738.8)**
Claims liability outstanding	**39.1**	**41.0**	**65.6**	**84.0**	**161.4**	**253.5**	**287.0**	**469.5**	**413.4**	**703.9**	**2,518.4**
Claims liability for prior years											345.3
Total liability included in Balance Sheet											**2,863.7**

22.5 Movements in technical provisions – unearned premiums

Premiums - movement in 2020	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2019	1,057.4	(397.7)	**659.7**
Premiums written during the year	2,249.7	(1,062.5)	**1,187.2**
Less: premiums earned during the year	(2,220.6)	1,051.2	**(1,169.4)**
Foreign exchange movements	(4.3)	0.3	**(4.0)**
At 30 November 2020	**1,082.2**	**(408.7)**	**673.5**

Premiums - movement in 2019	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2018	**-**	**-**	**-**
Transfer in on group restructuring	1,137.7	(374.9)	**762.8**
Premiums written during the year	2,132.3	(1,002.2)	**1,130.1**
Less: premiums earned during the year	(2,177.8)	963.7	**(1,214.1)**
Foreign exchange movements	(34.8)	15.7	**(19.1)**
At 30 November 2019	**1,057.4**	**(397.7)**	**659.7**

23 CURRENT AND DEFERRED TAXATION

23.1 Current tax

Current tax	30 November 2020 £'m	30 November 2019 £'m
Current tax asset	4.5	-
Current tax liability	-	(15.8)
Net current tax	**4.5**	**(15.8)**

Current tax assets and liabilities are recoverable/payable within one year.

23.2 Deferred tax

Deferred tax	30 November 2020 £'m	30 November 2019 £'m
Deferred tax asset	41.0	37.6
Deferred tax liability	(44.9)	(33.8)
Net deferred tax	**(3.9)**	**3.8**

23.3 Analysis of deferred tax

Net deferred tax breakdown	30 November 2020 £'m	30 November 2019 £'m
Insurance reserves	(3.8)	(7.0)
Property, plant and equipment	5.8	4.2
Pensions and similar obligations	(5.5)	(4.4)
Other assets/(liabilities)	(29.5)	(8.5)
Losses	29.1	19.5
Net deferred tax (liability)/asset	**(3.9)**	**3.8**

Notes to the Financial Statements for the year ended 30 November 2020

Deferred tax assets and liabilities are recoverable/payable after more than one year. The Company has projected the value of the net reversal in the year ending 2021 will be £1.5 million, representing brought forward losses amounting to £10.8 million, claim equalisation reserve deferred tax losses of £3.8 million and a OCI deferred tax loss of £5.5 million.

24 CREDITORS

	30 November 2020 £'m	30 November 2019 £'m
Insurance payables arising out of direct insurance operations:		
Due to intermediaries	79.2	78.0
	79.2	**78.0**
Insurance payables arising out of reinsurance operations		
Due to policyholders	196.3	131.2
Due to related parties	133.7	147.5
	330.0	**278.7**
Other creditors including tax and social security		
Due to related parties	181.2	263.3
Other	48.1	75.6
Assets held as collateral - related parties	3.7	3.9
	233.0	**342.8**
Total creditors	**642.2**	**699.5**
Amounts to be settled within one year	638.5	695.6
Amounts to be settled more than one year	3.7	3.9
	642.2	**699.5**

25 CONTINGENT LIABILITIES

The following charges exist over the assets of the Company. A charge, in favour of J.P. Morgan Chase Bank NA, London Branch (the 'Custodian'), of any cash or securities held by the Custodian as security for:

a. all obligations of the Company to reimburse the Custodian for any irrevocable commitments to pay for or deliver securities incurred by the Custodian in carrying out instructions under the relevant Custodian Agreement; and
b. all other present and future obligations to repay the Custodian.

A similar charge to the one above also exists on the portfolios held in trust with Investors Services Trust, Deutsche Bank Trust Company Americas, and the Bank of New York Mellon valued at £314.7 million (30 November 2019: £328.5 million).

26 GUARANTEES

During the year the Company has been party to various guarantees against the non-payment of contractual obligations, and as a requirement to write public tender business in the US and South Africa. These include automatically extending standby letters of credit which are callable on demand and are issued on the Company’s behalf to guarantee the obligations under the respective contract terms including that of another AIG Group company, AIG South Africa Ltd. As the likelihood of payments being made under these arrangements is currently remote no associated liabilities have been recognised in the Balance Sheet at 30 November 2020 (30 November 2019: £nil).

27 OPERATING LEASE COMMITMENTS

At 30 November 2020, the Company had annual commitments in respect of non-cancellable operating leases. The Company is committed to payments in 2021 which are expected to be £1.6 million (2019: £1.7 million). The total of future minimum lease payments under non-cancellable operating leases on land and buildings are £2.9 million (2019: £5.1 million), as analysed in the table below:

Future minimum lease payments	Not later than one year £'m	Later than one year and not later than five years £'m	Later than five years £'m	**Total £'m**
At 30 November 2020	1.6	1.3	-	**2.9**
At 30 November 2019	1.7	3.1	0.3	**5.1**

The Company expects to receive total future sublease payments of £5.1 million (2019: £6.6 million) in relation to non-cancellable operating leases on properties over the next 6 years.

28 PARENT UNDERTAKINGS

The Company is a wholly owned subsidiary of AIG Holdings Europe Limited, an entity incorporated in the United Kingdom and registered as 09976229 which owns 100% (2019: 100%) of the share capital.

The ultimate parent undertaking and controlling party is American International Group Inc. ('AIG Inc.'), a company incorporated in the State of Delaware, United States of America. The Company is consolidated into the financial statements of AIG Inc. which forms the smallest and largest group to consolidate these financial statements at 30 November 2020. The registered address of AIG Inc. is 175 Water Street, New York, NY10038. Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, American International Group UK Limited, The AIG Building, 58 Fenchurch Street, London EC3M 4AB.

29 EVENTS AFTER THE REPORTING YEAR

There are no material items to report.