American International Group UK Limited

Annual Report and Financial Statements
For the year ended 30 November 2019

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 2019

CEO Statement

Mr. Anthony Baldwin

During 2019, we made significant progress on the execution of our strategy to position AIG for sustainable profitable growth and delivered on our commitment to achieve a full year of underwriting profit. These results reflect critical foundational work to improve underwriting fundamentals, reposition our portfolio and aggressively decrease limits, while meaningfully reducing volatility through a comprehensive reinsurance strategy. We also instilled discipline and focus on expense management.

2019 marks the first full operational year as AIGUK, following the restructure of our business into two entities in the UK and Europe in December 2018. The financial results of the prior years for the UK business are embedded in the predecessor company AIG Europe Limited.

Strong performance from our high growth lines, such as Cyber, Financial Lines and M&A insurance contributed to our success. Meanwhile, we achieved improved profitability in Property, Energy, Aerospace and Marine, demonstrating the significant work done to optimise these portfolios. Performance was also supported by increased rate adequacy in some lines. Consistent with the market, we also benefited from a mostly benign loss environment in 2019, notwithstanding some losses in the fourth quarter in Credit Lines.

We continued to assess opportunities to partner with the Lloyd’s market to bring innovation to our customers, leveraging Talbot, our Lloyd's of London managing agency and its new syndicate serving the specialist U.S. high net worth market.

In 2019, we remained committed to delivering value to our clients and distribution partners and communicating with clarity about our defined risk appetite. Our “Winning With AIG” campaign clearly outlined a defined risk appetite and reached thousands of broker partners through in-person and digital channels.

Also in 2019, AIG launched AIG 200, our global, multi-year effort to focus on the long-term strategic positioning of AIG. Colleagues across AIGUK contributed important insight during the initial phase of work, which is guided by the four core objectives for AIG 200: achieving underwriting excellence; modernizing our operating infrastructure; enhancing user and customer experiences; and becoming a more unified company. Based on careful analysis of the output from the initial phase of work, AIG identified 10 core operational programs that will begin in 2020.

I am proud of our focus on developing our employees and the expanded learning and development opportunities we delivered in 2019. This included manager training, leadership training targeting under-represented groups and the launch of LinkedIn Learning, which gives employees access to over 15,000 online courses; as well as our Short-Term International Development Exchange ("STRIDE") for employees across the International footprint to gain experience by working in another location. We also continued to foster belonging and empowerment in the workplace through our inclusion framework BeingYou@AIG. We are proud to be at the forefront of the industry having earned a number of industry awards for our efforts in 2019.

Strategic Goals

During 2020, we will continue to focus on 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.

We will build on what we achieved in 2019 as we continue to strengthen our core performance through portfolio optimization and focus on growth in profitable lines of business where we have clear differentiation in the market.

During 2020, we will improve how we do business and strategically position AIG to become a top-performing company as we execute on AIG 200. . In collaboration across the company, the UK will help build a standard commercial underwriting platform that will modernize our global underwriting capabilities, simplify processes and create a contemporary data architecture to drive better risk management decisions while improving user experience.

We will create opportunities to add value for our customers through customer insight-led product development. We will increase the use of partnerships internationally to leverage alternative distribution networks and enhance our discipline around pipeline management and coordination with our broker and agency distribution partners.

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 2020, targeting increased membership of Employee Resource Groups and diversity and inclusion efforts.

Future Outlook

AIGUK is now fully operational in the UK with an established multi-channel footprint and broad product offering. We believe our experience and commitment to continuous improvement positions our business for growth under uncertain and challenging economic conditions. While there is greater clarity over how and when the UK will leave the European Union, the full impact of Brexit is still unclear and provides potential opportunities for the industry and AIG.

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 25.

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 54. 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 51.

Anti-Corruption and Anti-Bribery

AIGUK has adopted and follows 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

Making a positive impact in the communities where we live and do business has always been a top priority at AIG. As a responsible corporate citizen, we support a number of charitable partnerships with financial assistance and support through programmes and partnerships that leverage the skills, experience, knowledge and enthusiasm of our employees and the businesses they represent.

Three charities the Company supported in 2019 were Career Ready, Enactus and Greenlight for Girls (g4g). These are all educational charities that are each unique in approach and objectives – Career Ready prepares students for their future careers, Enactus instils social enterprise and entrepreneurship, and g4g encourages young women to pursue STEM (Science, Technology, Engineering and Maths) subjects.

Throughout the year, we provide opportunities for AIG employees to demonstrate their willingness to help others through our Volunteer Time Off programme, with two paid volunteer days a year. Our people made a strong impact within their local communities on behalf of AIG last year by volunteering over 4,000 hours, fundraising £75,000, packing 70,000 meals for the world's most vulnerable communities, mentoring hundreds of students and benefiting more than 60 charities. With our charitable contributions combined with employees' passion for giving back, AIG is able to create enduring partnerships that improve lives and transform communities.

Environmental Responsibility

The Company recognises its 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. The Company will commit its legal duty and corporate social responsibility to undertake the following environmental objectives:

- Comply with its legal obligations and with all other applicable statutory provisions and relevant codes of practice
- 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.

Employee Relations

Employee Focus

The Company is committed to attracting, developing and retaining a diverse and inclusive workforce in order to enhance our competitive position in the global marketplace. 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

The Company is committed to its Diversity & Inclusion (D&I) framework "BeingYou@AIG", rolled out in 2018. Diverse talent enriches the business and makes interactions with customers, partners and colleagues more meaningful. We also constantly look at ways to improve the culture and inclusion of our workplace so all our employees can be their authentic self at work.

Representing D&I in its widest context, BeingYou@AIG is a collaborative effort to harness the ambition, acumen and aspirations of our people. Be it through our seven Employee Resource Groups (ERGs) that embody the value that inclusion brings to the business, the Women's Executive Leadership and Accelerated Leadership development programmes that are helping to create the pipeline of future female and underrepresented leaders, or through the external partnerships and sponsorships we are forging to ensure we benchmark our success against the best and contribute towards increasing diversity and inclusion in the wider insurance industry.

BeingYou@AIG harnesses the Company's intent and ambition through a collaborative framework of engagement and through our three D&I 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

During 2019 our D&I efforts were recognised both in insurance industry and wider business awards. We won British LGBT Top 10 Inclusive Employer or Company, Women in Finance – Diversity Initiative of the Year, Insurance Insider Honours – D&I Award. Additionally, a member of our Executive Committee won both the LGBT Awards Inspirational Leader and OUTstanding LGBT+ Executive Role Model, one of our ERG chairs won the Women in Insurance Unsung Hero Award and our UK DisAbility & Allies ERG was honoured at the Disability Matters European Awards.

Disability

The Company is 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, that person 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.

The Company ensures 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.

Significant Product Lines

1. **PERSONAL INSURANCE – net premiums written £219.0 million**

   Personal Insurance comprises accident and health, voluntary employee benefits, individual personal accident, individual travel, personal auto, service programmes, and private client group. Today AIG is a specific segment player with the majority of business sold via corporates or sponsors. As such, AIG 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 £267.4 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. AIG Casualty is 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 £279.5 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 £80.6 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 £283.6 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.

Financial Performance

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

	2019 £'m	2018 £'m
Net Premiums Written [1]	£1,130.1	-
Profit Before Tax	£186.4	-
Net Loss Ratio [2]	67.0%	-
Combined Ratio [3]	96.4%	-
Underwriting Result [4]	£44.9m	-

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.

Overview

During the year, the Company reported a strong performance in its first full year of trading with profit before tax of £186.4 million. Profitability was driven by a positive underwriting result supported by high levels of premiums and low catastrophic losses resulting in an underwriting result of £44.9 million. Investment income further improved the profit before tax. The full results for the Company are on page 37 and 38. The total comprehensive income for the year of £205.2 million has been transferred to equity. At 30 November 2019, total equity of the Company, shown on page 40 totalled £1,809.4 million (2018: £3.7 million).

Profitability

Despite challenging conditions and a dynamic economic backdrop, the Company improved its performance of the business with a strong underwriting focus on profitable product lines. With robust expense control and low levels of severe and catastrophic losses, the combined operating ratio ("COR") was 96.4% for the financial year.

Financial Strength

On 1 December 2018, 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. Alongside the total comprehensive income for the year, the capital strength of the Company was increased to £1.8 billion. The regulatory capital surplus was 138.3%.

Anthony Baldwin

Mr. Anthony Baldwin
Chief Executive Officer
19 March 2020

Directors' Report for the year ended 30 November 2019

The Directors present the annual report and financial statements of American International Group UK Limited ("the Company") for the year ended 30 November 2019. The Company was incorporated on 24 April 2017.

Principal Activity

The principal activity of the Company is to provide all major classes of general insurance 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	
J Lenton	appointed 24 April 2017	resigned 31 January 2019
C Newby	appointed 24 April 2017	resigned 25 April 2019
C Townsend	appointed 22 November 2018	resigned 6 January 2020
M Bowers	appointed 27 October 2017	
A Hope	appointed 27 October 2017	
P Malvasio	appointed 10 October 2018	
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.

Subject to the terms of their appointment, PricewaterhouseCoopers LLP are deemed to continue in office until the said resolution is revoked.

Dividends

No dividends were declared or paid during the period (2018: £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 2019, details can be found in Note 29 to these financial statements.

Going Concern

The Directors believe that preparing the Financial Statements on a going concern basis is appropriate due to the current financial status and confidence in the future growth strategies of the Company.

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
19 March 2020

Meet the Directors

The names of the current directors are listed on page 12. 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 now also Chair of the Remuneration Committee as of 1 January 2020.

Mr Tromp has over 35 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 19 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 M. Bowers
Senior Independent Non-Executive Director

Martin Bowers joined AIG as an independent non-executive director on 19 September 2005 and served on the AEL Board, the predecessor company to AIGUK, as well as other positons prior to the creation of AEL. Mr Bowers is the Senior Independent Director and the Chair of the Board Risk Committee.

Mr Bowers has held a number of executive positions in leading insurers. He was previously a senior insurance manager at Gulf Oil, a Director of CT Bowring (Insurance Ltd), a managing director at Marsh, and was responsible for setting up an energy business development operation for Europe, and the Middle and Far East regions, an operation that subsequently opened offices in Dubai and Singapore. While at Johnson & Higgins, Mr. Bowers was responsible for creating a major new energy group and subsequently became Chairman of the J&H Global Energy practice. Additionally, he has previously offered consultancy services to various US loss adjusters, major insurance buyers and London brokers.

Mr A. Hope
Independent Non-Executive Director

Anthony Hope joined the predecessor Board of AIGUK, AEL Board, on 1 December 2007 and was appointed as AEL Board Chair on 1 October 2014. Prior to his appointment as Board Chair, he was the Chair of the Audit Committee. Mr Hope served as the Board Chairman of AIGUK and of the Remuneration Committee until 31 December 2019. He is now the Chairman of the Audit Committee.

Mr Hope served 35 years in different positions at HSBC in its insurance division, including his most recent position as Chairman of HSBC Insurance Holdings, which he held from 1987 until 2007. He also served on the board of Ping An Insurance Group of China until 2008. Prior to HSBC, Mr. Hope served at Anthony Gibbs Sage Limited and Glanvill Enthoven & Co Ltd. Mr Hope has over 50 years' experience working in the insurance industry and drives a culture of openness in the boardroom.

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.

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 Senior Independent Director at Lockton Companies LLP, an independent non-executive direction at Bupa Insurance Ltd, and a Member of the Board at the Chartered Insurance Institute.

Governance Report for the year ended 30 November 2019

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 Board of Directors sit on a broad range of Committees and Councils forming the AIGUK Governance Structure as illustrated and discussed on page 28.

	Philippe Tromp	Anthony Baldwin	Romaney O'Malley	Martin Bowers	Anthony Hope	Paul Malvasio	David Smith
Main Board	C	M	M	M	M	M	M
Audit Committee	M			M	C	M	M
Board Risk Committee	M	M		C	M	M	M
Executive Committee		C	M				
Reserves Committee	M		M	M	M	C	M
Remuneration Committee	M			M	M	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 A Hope. Composed of Independent Non-Executive Directors.	Chaired by Mr M Bowers. 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 Mr P Malvasio. 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 AIGUK 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, GC, 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 and Chief Operating Officer. Its standing attendees include the Chief Risk Officer and 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 ("ExCo") has responsibility for developing and implementing strategy for, and managing operational issues relating to AIGUK. ExCo 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, ExCo forms part of the first line of defence.

Composition and Frequency of Meetings

Typically, ExCo meets at least twice a quarter. It is composed of the CEO and a mix of senior executives. The independent non-executive directors of AIGUK 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 ExCo's agenda. Other ad hoc items can be added as business needs require by way of prior co-ordination with Company Secretariat. In particular, ExCo 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 Heads of Personal Insurance 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 AIG UK 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 oversight by the Committee allows the Chair to fulfil the duties owed as the Senior Insurance Manager 12 – Chair of the Remuneration Committee and Prescribed Responsibility 11 being the 'Responsibility for developing and overseeing the firm's remuneration policies and practice'

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 four 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 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. Business Combinations
3. Foreign Currency
4. Insurance Contracts

Further detail on all the adopted accounting policies can be found in Note 3 on page 51.

Principal Areas of Management Focus

The Company, largely through the Board risk and Audit Committee, 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 exercised 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; 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 2019

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 AIGUK 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.

AIGUK'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 regional Level 2 'Statements of Operating Standards', which align 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 AIGUK as a risk-aware business.

The Board, through the Board Risk Committee, has ultimate responsibility for development and oversight of the Risk Management Framework; the Board delegates the management of risks within AIGUK's risk appetite and the Risk Governance Framework to the AIGUK Risk and Capital Committee (RCC). The RCC escalates matters of importance to the Board 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 for AIGUK 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 which will be designed to ensure that all material quantifiable risks which the company is exposed to will be 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') will be produced for the company at least once a year for use by management and for the regulator. The ORSA will provide 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**: Enterprise Risk Management ('ERM') will continuously monitor the risks identified in AIGUK's 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, AIGUK will undertake stress and scenario testing across the business to determine the profit & loss impact on the company. Stress testing will provide 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**: The ERM function will 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. Risk hotspots identified from this assessment will be recorded, graded and subject to ongoing monitoring and reporting to the RCC and Board.

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
- Pension 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. AIGUK defines a framework of risk committees, risk reporting and controls embedded throughout 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 of AIGUK. Without effective communication of AIGUK'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 AIGUK 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	AIGUK's Internal Audit Department (IAD) comprises the independent assurance provided to the Audit Committee of the AIGUK Board. IAD undertakes a programme of risk-based audits covering aspects of the First and Second Line of Defence.

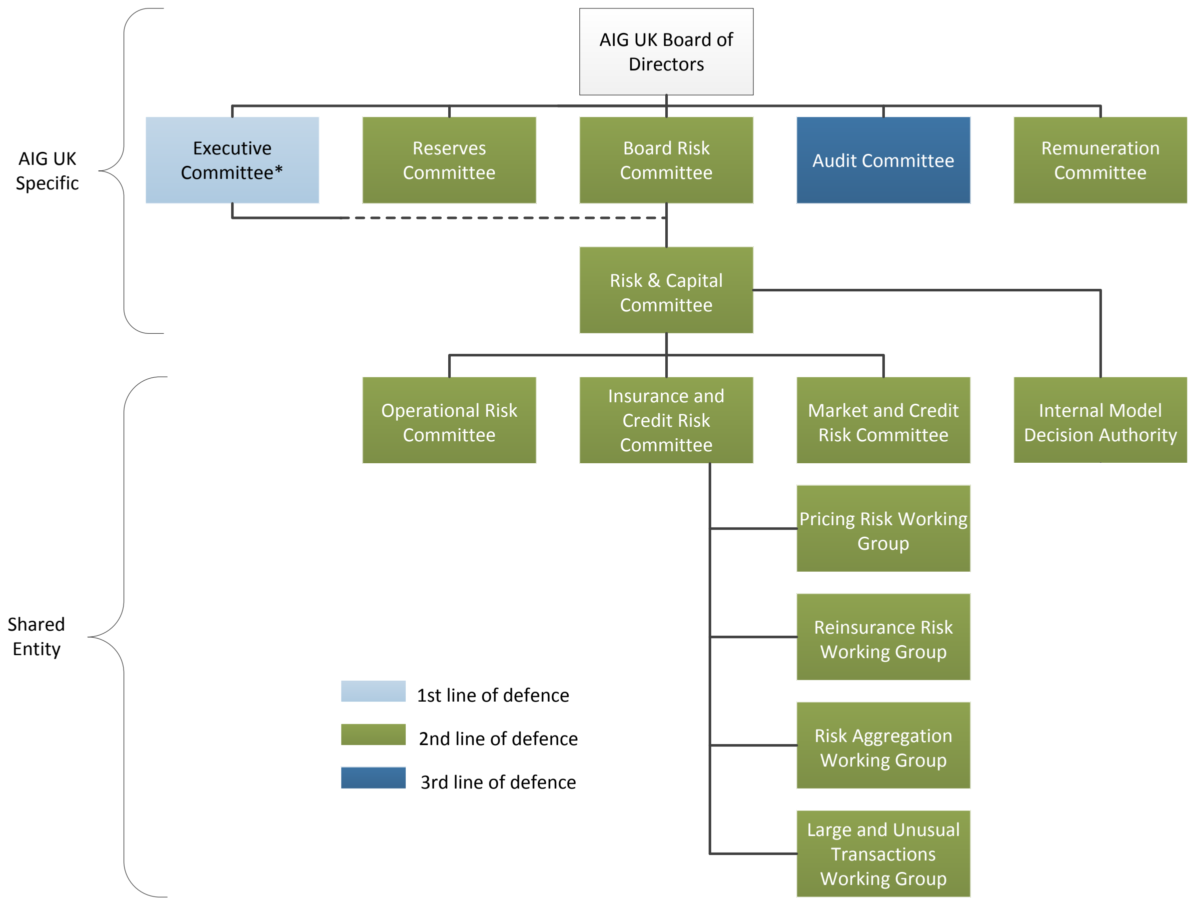
4. Compensation
Alignment of incentives to risk management objectives and use of risk adjusted performance measures to evaluate performance.

5. Professional Development
Provision of information and appropriate levels of training to elevate individual competencies, and thereby organisational capabilities, in risk management across AIGUK.

AIGUK 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 Group committees 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 has a distinct role to play within the Risk Governance Framework.

Responsibilities of the Executive Risk Committees
The Executive Risk Committees currently comprise the Risk and Capital Committee (RCC), which reports to the Executive Committee (ExCo) and the Board, via the Board Risk Committee. The RCC is authorised by the Board Risk Committee (BRC) to implement, manage and control the Risk Management Framework of the company.

In order to fulfil this wide-ranging responsibility, the RCC has delegated responsibility to three risk-specific committees (Insurance, Market 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 Risk Committees respectively. Each Committee is chaired by a member of the Executive Committee (ExCo). Other members include relevant European business heads, risk experts from Enterprise Risk Management (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 MI 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 RCC also delegates oversight responsibility to the Product Development Forums over 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 and has voting rights in these forums.

Responsibilities of Working Group Committees
There are a number of working group committees that focus on particular 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 of AIGUK.
- **Reinsurance Sub Group:** To set the reinsurance strategy and to determine 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 AIGUK Risk Profile before the Company becomes committed. The LUT is an ad hoc meeting of the Risk and Capital Committee.

Risk Appetite

The company's Risk Appetite Statement defines 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.

In approving the Risk Appetite Statement, the Board defines parameters within which the company should operate. It provides a framework against which the business must report to the Board and lower level risk committees on the current risk profile of the company. This in turn provides assurance that the current risk profile sits within appetite and where this is not the case to identify the breach, explain the causes and to propose remediation.

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.

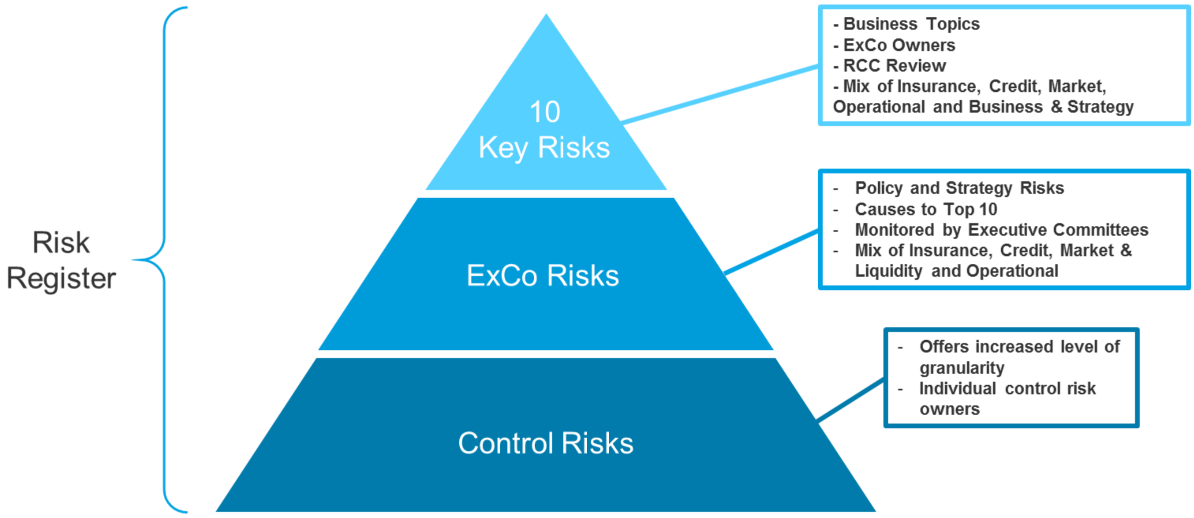
Risk Register

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 ExCo risks owned and managed through the Executive Risk Committees that report up to the RCC (being the Insurance, Market and Operational Risk Committees).
- Tier 3: Comprised of control risks; these support ExCo 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 taken into account 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, ExCo and BRC covering all of 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 ExCo risks. These ExCo 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 a number of potential causes and controls which require review and management, interacting with global and regional support functions. These ExCo 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 Risk and Capital Committee 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 November 2019; 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 to the Financial Statements, we have provided no non-audit services to the Company in the year from 1 December 2018 to 30 November 2019.

Our audit approach

Overview

- Overall materiality: £21,724,000 (2018: £37,039), 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 and appropriate audit evidence to enable us to issue an opinion 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 and LAE.
- Risk of inappropriate revenue recognition (including fraud risk).

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 and judgements that may be misstated. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit and the entity's legal advisors, 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 of the Board, and Reserves Committee;
- 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, in particular any journal entries posted with unusual account combinations or posted by senior management.

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 year 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 and LAE ('claims outstanding') Claims outstanding is a material balance within the financial statements and is also highly judgemental and complex to calculate. 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 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.	We conducted the following procedures: - We tested on a sample basis the underlying source data to supporting documentation; no material exceptions were identified. - 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, and were satisfied that the provisions recorded by the Company are reasonable. - For other significant classes of business we sought to understand the methodology used by the Company as well as the rationale for key assumptions and judgements made. We applied our industry knowledge and experience to determine whether these were in line with recognised actuarial techniques and best practices. No material exceptions were identified.

Particular areas of focus for this year have been on lines of business with high estimation uncertainty and/or significant balances, such as Financial and Casualty lines.	- For the remainder of classes we have performed a diagnostic review (such as actual versus expected analysis and movement in ultimate loss ratios) and corroborated explanations for all unexpected variances. - We considered the Company's previous estimates through examination of prior year development and noted no material exceptions. We were satisfied that the assumptions and methodology used are appropriate and were supported by the evidence we obtained.
Risk of inappropriate revenue recognition (including fraud risk) 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. For certain lines of business, judgemental adjustments are made to the derived written premium development factors. Additionally the Company will record manual adjustments to 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 recording 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. No material exceptions were identified. - We have reviewed the methodology adopted in the calculation of pipeline premiums including recalculation of development factors; no material exceptions were identified. - We have understood all material adjustments made to development factors in the determination of pipeline premiums and assessed whether these have been made appropriately. No material exceptions were identified. - We have tested all material manual adjustments recorded to premium earnings. We have assessed the reasonableness of the adjustments made, considering the nature of the underlying policies, and no material exceptions were identified.

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 to have in the audit work of those auditors to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We maintained regular and timely communication with component and shared service centre audit teams, including performing on-site visits, phone calls, 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	£21,724,000 (2018: £37,039).
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. The prior year materiality was determined based on Total Assets as the Company did not have significant operations during that year.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,086,200 (2018: £1,852) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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 2019 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 14, 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 2 years, covering the years ended 30 November 2018 to 30 November 2019.

Mark Bolton

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 March 2020

Statement of Comprehensive Income
For the year ended 30 November 2019

Technical Account

	Notes	Year ended 30 November 2019 £'m	Year ended 30 November 2018 £'m
Technical Account - General Business			
Gross premiums written	8	2,132.3	-
Outward reinsurance premiums		(1,002.2)	-
Net premiums written		**1,130.1**	**-**
Change in the gross provision for unearned premiums		45.5	-
Change in the provision for unearned premiums - reinsurers' share		38.5	-
Earned premiums - net of reinsurance		**1,214.1**	**-**
Claims paid - gross		(2,046.2)	-
Claims paid - reinsurers' share		980.1	-
Change in the provision for claims - gross		31.6	-
Change in the provision for claims - reinsurers' share		221.2	-
Claims Incurred - net of reinsurance		**(813.3)**	**-**
Acquisition costs		(333.4)	-
Change in deferred acquisition costs		(24.1)	-
Administrative expenses	9	(159.2)	-
Reinsurance commissions		152.7	-
Net operating expenses		**(364.0)**	**-**
Other technical charges - net of reinsurance		-	-
Balance on technical account for general business		**36.8**	**-**

Statement of Comprehensive Income (continued)
For the year ended 30 November 2019

Non-Technical Account

	Notes	Year ended 30 November 2019 £'m	Year ended 30 November 2018 £'m
Non-Technical Account			
Balance on the technical account for general business		**36.8**	**-**
Income from other investments	10	125.5	-
Gains on the realisation of investments		6.3	-
Investment Income		**131.8**	**-**
Investment expenses and charges		(15.4)	-
Other income	11	33.2	-
Profit on ordinary activities before tax		**186.4**	**-**
Tax on profit on ordinary activities	12	(39.6)	-
Profit on ordinary activities after tax		**146.8**	**-**
Profit or loss for the financial year		**146.8**	**-**
Statement of Other Comprehensive Income			
Unrealised gains on investments		110.9	-
Currency translation differences		(17.3)	-
Actuarial gains/losses on defined benefit pension schemes		(8.9)	-
Other Comprehensive Income		(7.9)	-
Taxation in respect of items of other comprehensive income	12.3	(18.4)	-
Other Comprehensive Income for the year		**58.4**	**-**
Total comprehensive income for the year		**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 Statement of Comprehensive Income.

The format of the Statement of Comprehensive Income differs from the prior year reflecting the significant increase in business activity following the transfer of the UK business of AIG Europe Limited, a fellow AIG entity, on 1 December 2018 under Part VII of the Financial Services and Markets Act 2000. The transfer of business is shown within the disclosure notes as 'Transfers In on Group Restructuring'.

The notes on pages 42 to 82 form an integral part of these financial statements.

Balance Sheet
As at 30 November 2019

	Notes	30 November 2019 £'m	30 November 2018 £'m
Assets			
Intangible Assets	14	5.9	-
Investments			
Property and Equipment	15	111.0	-
Investments in group undertakings and participating interests	16	19.1	-
Other Financial Investments			
Debt securities and fixed income securities	17	4,231.0	-
Loans	17	275.0	-
Reinsurers' Share of Technical Provisions			
Claims outstanding including IBNR and LAE	18	1,805.8	-
Provision for unearned premiums	18	397.7	-
Debtors			
Debtors arising out of direct insurance operations	19	693.4	-
Debtors arising out of reinsurance operations	19	205.8	-
Other debtors	19	78.0	-
Taxation			
Deferred tax asset	23	37.6	-
Other Assets			
Cash at bank and in hand	20	152.6	3.7
Other	20	75.8	-
Prepayments and Accrued Income			
Accrued interest and rent		40.7	-
Deferred acquisition costs		139.1	-
Total Assets		**8,268.5**	**3.7**

Balance Sheet (continued)
As at 30 November 2019

	Notes	30 November 2019 £'m	30 November 2018 £'m
Capital and Reserves			
Called up share capital	21	15.3	-
Share premium account	21	1,063.7	3.7
Other reserves	21	67.3	-
Profit and loss account	21	663.1	-
Total Equity		**1,809.4**	**3.7**
Liabilities			
Technical Provisions			
Claims outstanding including IBNR and LAE	22	4,572.3	-
Provision for unearned premiums	22	1,057.4	-
Provisions for Other Risks			
Other provisions		19.3	-
Taxation			
Current tax liability	23	15.8	-
Deferred tax liability	23	33.8	-
Deposits received from reinsurers		61.0	-
Creditors			
Creditors arising out of direct insurance operations	24	78.0	-
Creditors arising out of reinsurance operations	24	278.7	-
Other creditors including taxation and social security	24	342.8	-
Total Liabilities		**6,459.1**	**-**
Total Equity and Liabilities		**8,268.5**	**3.7**

The notes on pages 42 to 82 form an integral part of these financial statements.

The format of the Balance Sheet differs from the prior year reflecting the significant increase in business activity following the transfer of the UK business of AIG Europe Limited, a fellow AIG entity, on 1 December 2018 under Part VII of the Financial Services and Markets Act 2000. The transfer of business is shown within the disclosure notes as 'Transfers In on Group Restructuring'.

The financial statements on pages 37 to 82 were approved by the Board of Directors on 27 February 2020 and were signed on its behalf by:

R O'Malley

Romaney O'Malley
Chief Financial Officer
19 March 2020

Statement of Changes in Equity
For the year ended 30 November 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
	£'m	£'m	£'m	£'m	£'m
At 1 December 2017	-	-	-	-	-
Shares issued in the year	-	3.7	-	-	3.7
At 30 November 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**

The notes on pages 42 to 82 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 30 November 2019

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 27 February 2020.

On 1 December 2018, 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 business is shown within the disclosure notes as 'Transfers In on Group Restructuring'. As a result, the format of the Statement of Comprehensive Income and the Balance Sheet differ from the prior year.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistency 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 European Economic Area (EEA), 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. The Directors are therefore confident that the Company has adequate resources to continue in operational existence for the foreseeable future and, 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 has opted to use 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 each 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

Under the UK GAAP insurance contracts 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 receivable 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. 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 loans and receivables 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 Profit or Loss and Other 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.

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; 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: Recent 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.

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, market, financial, credit, liquidity and operational risk are considered below:

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 Large and Unusual Transactions (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.

Financial Risk

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.

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 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**

There are no comparatives for the prior year

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).

- Unexpected Credit Loss (All Other Counterparties Including Group): The Company faces a risk of material losses and cash flow issues if other internal (intra-group) 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 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**

There are no comparatives for the prior year

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 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**

There are no comparatives for the prior year

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 2019, the effective duration for the Company's fixed maturity portfolio was 2.9 years.

At 30 November 2019, the sensitivity of the carrying value of the Company's fixed maturity portfolio to a movement of 100 basis points in interest rates was as follows. Subject to any impairment charges that may result under the scenarios, the fair value reserve would be reduced by £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 £130.4 million. With respect to discounted claims provisions a 100 basis point increase in interest rates would reduce net claims provisions by £16 million while a 100 basis point decrease in interest rates would increase net claims provisions by £23 million. There are no relevant comparatives for the prior year.

Business & Strategy Risk
Whilst AIGUK does identify and manage 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 Enterprise Risk Management 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.

Operational Risk
Operational Risk is defined by the Company as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It is intrinsic to the Company's operations but is actively mitigated and managed. A description of each of the Company's eight categories of Operational Risk is shown below. There has been no material change in the Company's processes in respect of operational risk over the year.

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

In anticipation of the UK leaving the EU, AIG undertook a comprehensive exercise to review its structure and made a decision to restructure its operations in Europe. From the legacy entity insurance business, AIG Europe Limited ("AEL") two separate legal entities were created in its place: American International Group UK Limited to be based in London and AIG Europe S.A. ("AESA") based in Luxembourg.

The restructuring mechanism was assessed to be the optimal option for the following reasons:
- It maintains AIG's ability to trade and service existing customers in the EEA post-Brexit without requiring any action from customers.
- The cross border merger process achieves a clean result as it sweeps up all assets and liabilities of the transferring company and simultaneously dissolves it. No legacy of AEL will remain at the end of the process.
- It provides clear lines of regulatory accountability for each company.
- It provides the best opportunity for tax neutrality and VAT efficiency.

However, the effects of Brexit on the economy and the impact of the UK political landscape remain on the horizon. The impact of the Brexit changes, whilst remaining unclear, saw an impact on UK operations with an additional 15 roles created in Manila Centre of Excellence to support the additional steps required by the new Brexit processes. Brexit will remain an area for review and close monitoring.

AIG categorises Operational Risk in the following Level 1 risk categories:

- Execution, Delivery & Process Management: Risks associated with the failure to execute or process transactions timely or accurately with clients, counterparties and/or external vendors/suppliers.
- Clients, Products & Business Practices: Risks associated with the unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product. It also includes non-compliance with laws, rules, regulations, agreements, prescribed practices and ethical standards.
- Internal Fraud: Risks associated with acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy which involves at least one internal party.
- External Fraud: Risks associated with acts intended to defraud, misappropriate property or circumvent regulations or the law by one or more third party.
- Employment Practices & Workplace Safety: Risks associated with acts inconsistent with employment relations, health, safety and/or anti-discrimination laws or agreements.
- Business Disruption & Systems Failure: Risks associated with the interruption of business activity due to system and/or communication failures, the inaccessibility of information and/or the unavailability of utilities.
- Damage to Physical Assets: Risks associated with the damage or unavailability of physical assets as a result of a natural disaster or other traumatic event.

Each risk category divides further into Level 2 sub-categories for more detailed capture and analysis of risk events, assessments, scenarios and monitoring. Key operational risks are monitored in a risk register. AIG's Operational Risk Management ("ORM") Framework, to which the Company aligns, facilitates the identification, assessment, monitoring and measurement of operational risk and promotes a culture where each employee has responsibility for managing and reporting operational risk. The ORM Framework establishes a structure within which the ORM process evolves commensurate with changes in the regulatory and business environment. The risk management process is supported by pro-active risk assessments (including Risk and Control Self Assessments), as well as reactive risk event analysis. These processes and oversight is embedded throughout AIGUK, with a thorough Governance structure to report and review the risk profiles.

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 2019 £'m	30 November 2018 £'m
Basic own funds		
Ordinary share capital (gross of own shares)	15.3	-
Share premium account related to ordinary share capital	1,063.7	3.7
Reconcilation reserve	460.2	-
An amount equal to the value of net deferred tax assets	51.1	-
Total basic own funds	**1,590.3**	**3.7**
Ancillary own funds - letters of credit	300.0	
Total ancillary own funds	**1,890.3**	**3.7**
Available and eligible own funds		
Total available own funds to meet the SCR	1,890.3	3.7
Total eligible own funds to meet the SCR	1,890.3	3.7
Solvency Capital Requirement - Internal Model	1,366.4	**0.5**
Ratio of eligible own funds to SCR	**138.3%**	**736.0%**

As at 30 November 2019, the Solvency Capital Requirement – Internal Model was £1890.3 million providing a coverage ratio of 138.3%. 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.

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.

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

Valuation Methodologies

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.

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.

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.

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.

Equity securities

Equity securities held by the Company relate to investments in unquoted entities where the Company does not have any significant influence. Since these equity investments do not have a quoted market price in an active market and fair values cannot be reliably measured, they are held at cost in accordance with IAS 39.

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.

Loans Receivable

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 2019 the estimated fair value of the Loans Receivable held at amortised cost was £274.8 million (2018: £nil) which represents a £0.2 million decrease (2018: £nil) on the carrying amount at that date. The carrying amount of the short term investments measured at amortised cost at 30 November 2019 is deemed to be a reasonable estimate of the fair value at that date. Based on the characteristics of inputs available in the marketplace, the fair value estimates of these financial assets are classified as level 3 at 30 November 2019.

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

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**

There are no comparatives for the prior year

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 year ended 30 November 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 year ended 30 November 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 2019 £'m	30 November 2018 £'m
Fair value at beginning of year (1 December)	-	-
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	18.1	-
Fair value at end of year (30 November)	**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 2018 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 year ended 30 November 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.

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. 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 US dollar rates are set out below:

	2019	**2018**
USD		
Average rate (USD 1 equals)	£1.288	£1.290
Closing rate (USD 1 equals)	£1.293	£1.274

8 ANALYSIS OF TECHNICAL ACCOUNT

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**

There are no comparatives for the prior year

9 ADMINISTRATIVE EXPENSES

	30 November 2019 £'m	30 November 2018 £'m
Staff costs	117.2	-
Professional fees	13.8	-
Premises	9.6	-
Depreciation and amortisation	8.6	-
Travel	3.6	-
IT	1.5	-
Audit fee	1.7	-
Other expenses	3.2	-
	159.2	**-**

10 INCOME FROM OTHER INVESTMENTS

	30 November 2019 £'m	30 November 2018 £'m
Interest income from debt securities:		
Available-for-sale financial assets	116.1	-
Interest income:		
From loans and receivables	6.0	-
From cash and cash equivalents	3.4	-
	125.5	**-**

11 OTHER INCOME

	30 November 2019 £'m	30 November 2018 £'m
Rental income from property	0.4	-
Policy fee income	8.2	-
Net foreign exchange gains	24.6	-
	33.2	**-**

12 TAX ON PROFIT ON ORDINARY ACTIVITIES

12.1 Tax charge to the profit for the year

The income tax expense for the year is further analysed as follows:

	30 November 2019 £'m	30 November 2018 £'m
Current tax:		
For the current year	19.9	-
Adjustments in respect of previous years	-	-
Total current tax	**19.9**	**-**
Deferred tax:		
Effect of taxation treatment of technical reserves	(3.5)	-
Capital allowances lower than/(in excess of) depreciation	0.4	-
Net operating losses	18.0	-
Effect of taxation treatment for pension	0.2	-
Share based payments	(0.9)	-
Adjustments in respect of previous years	5.5	-
Total deferred tax charge	19.7	**-**
Income tax expense for the year	**39.6**	**-**

12.2 Analysis of factors affecting the tax (credit)/charge for the year

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

	30 November 2019 £'m	30 November 2018 £'m
Profit on ordinary activities before tax	186.4	**-**
Profit/Loss on ordinary activities before tax multiplited by standard rate of corporation tax in the UK of 19% (2018: 19.33%)	35.4	-
Effects of:		
Expenses not deductible for tax purposes	0.2	-
Effect of tax rate differences	(1.5)	-
Adjustments in respect of previous years	5.5	-
Tax charge for the year	**39.6**	**-**

12.3 Tax (credit)/charge to other comprehensive income

	30 November 2019 £'m	30 November 2018 £'m
Current tax		
Total current tax	**-**	**-**
Deferred tax:		
Items that may be reclassified subsequently to profit and loss		
In respect of fair value movements on financial assets	18.4	-
Total deferred tax	**18.4**	**-**
Tax charge to other comprehensive income	**18.4**	**-**

13 PROFIT FOR THE YEAR

	30 November 2019 £'m	30 November 2018 £'m
Profit for the year is stated after charging:		
Amortisation of intangible assets (note 14)	1.4	-
Depreciation charge for the year (note 15)	7.2	-
Operating leases	1.3	-

Auditors' Remuneration

	30 November 2019 £'m	30 November 2018 £'m
Fees paid to the Company's Auditors and their associates for the audit of the financial statements	1.5	-
Fees paid to the Company's Auditors and their associates for other services:		
The audit of Company's subsidiaries	0.1	-
Audit related assurance services	0.1	-
	1.7	**-**

Employee Costs

	30 November 2019 £'m	30 November 2018 £'m
Wages and salaries	97.0	-
Social security costs	11.3	-
Post retirement benefits:		
Defined benefit schemes	(0.4)	-
Defined contribution schemes	7.5	-
Termination benefits	1.8	-
	117.2	**-**

Staff Numbers

	2019 Number	2018 Number
United Kingdom	**1,271**	**-**

This number 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.

Directors' Emoluments

	30 November 2019 £'m	30 November 2018 £'m
Aggregate emoluments	3.8	-
Aggregate value of contributions in respect of money purchase pension scheme	-	-
Aggregate value of contributions in respect of long term incentive schemes	0.8	-
Highest paid director:		
Emoluments of the highest paid director	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**
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**
Carrying amount			
At 30 November 2019	**3.2**	**2.7**	**5.9**
At 30 November 2018	-	-	-

There are no comparatives for the prior year

The amortisation charge shown above for £1.4 million can be found within Note 13.

15 PROPERTY AND EQUIPMENT

	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**
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**
Carrying amount			
At 30 November 2019	**96.1**	**14.9**	**111.0**
At 30 November 2018	-	-	-

There are no comparatives for the prior year

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 2019 was £93.2 million (30 November 2018: £nil).

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 on 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.

16 INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	2019 £'m	2018 £'m
At beginning of year (1 December)	-	-
Transfers in on group restructuring	19.1	-
At end of year (30 November)	**19.1**	**-**
Cost and net book value of investment	19.1	-

The Company owns 100% of the ordinary share capital of AIG Europe (Services) Limited (2018: nil).

Subsidiary	Principal activity	Registered office	Proportion of ownership 2019	2018
AIG Europe (Services) Limited	Administrative services	The AIG Building, 58 Fenchurch Street, London EC3M 4AB	100.0%	0.0%

17 OTHER FINANCIAL INVESTMENTS

Analysis of fair value

	Amortised cost or cost £'m	Unrealised gains £'m	Unrealised losses and impairments £'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 securities:				
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**

There are no comparatives for the prior year

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 2019 was £328.5 million.

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 2019 £'m	30 November 2018 £'m
Reinsurers' share of provisions for claims		
Claims reported	1,091.5	-
Claims incurred but not reported	671.2	-
Loss adjustment expenses	43.1	-
Total	**1,805.8**	-
Reinsurers' share of unearned premiums	397.7	-
Total reinsurance assets	**2,203.5**	**-**
Amounts to be settled within one year	746.7	-
Amounts to be settled after one year	1,456.8	-
Total	**2,203.5**	**-**

19 OTHER DEBTORS – INCLUDING INSURANCE RECEIVABLES

	30 November 2019 £'m	30 November 2018 £'m
Debtors arising out of direct insurance operations:		
Due from policyholders	659.3	-
Due from related parties	34.1	-
	693.4	**-**
Debtors arising out of reinsurance operations		
Due from policyholders	36.6	-
Due from related parties	169.2	-
	205.8	**-**
Other debtors:		
Other	16.0	-
Other - due from related parties	62.0	-
	78.0	**-**
Total debtors	**977.2**	**-**
Amounts to be settled within one year	919.3	-
Amounts to be settled after one year	57.9	-
	977.2	**-**

20 OTHER ASSETS

20.1 CASH AT BANK AND IN-HAND

	30 November 2019 £'m	30 November 2018 £'m
Cash at bank	75.9	3.7
Short term deposits	76.7	-
	152.6	**3.7**

The effective interest rate on short-term deposits with credit institutions was 0.87% and has an average maturity of 3.9 days. There are no comparatives for the prior year.

20.2 OTHER

	30 November 2019 £'m	30 November 2018 £'m
Other assets	50.2	-
Pension asset (note 20.3)	25.6	-
	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 2019, 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 (2018: £nil). 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 6 April 2016 and showed a surplus of assets over liabilities at that time of £1.8 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.

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

Membership Details

Membership details at 30 November 2019	Number of Members	£'m
Active members	34	(19.2)
Deferred members	389	(61.2)
Pensioners	291	(64.4)
	714	**(144.8)**
Plan assets		170.4
Net asset - funded pension plan		**25.6**

There are no comparatives for the prior year

Actuarial Assumptions

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 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 at 30 November 2019	%
Pensionable salary increases	2.00%
Pension increases	2.75%
Inflation rate	RPI: 2.75% CPI: 2.00%
Discount rate	1.97%
Mortality assumption	S2PA (95% males, 85% females) light tables CMI projections (2015 model) converging to a long term rate of 1.5% p.a.

There are no comparatives for the prior year

Mortality

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

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

There are no comparatives for the prior year

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 at 30 November 2019	£'m
Defined benefit obligation	144.8
Discount rate	
0.25% increase	138.5
0.25% decrease	151.5
Inflation rate	
0.25% increase	149.1
0.25% decrease	140.7
Member age assumed to be one year younger than actual age	149.0

There are no comparatives for the prior year

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.

Pension Expense

The total pension expense was as follows:

Analysis of amounts charged to Statement of Comprehensive Income	30 November 2019 £'m
Interest expense on plan liabilities	3.8
Interest income on plan assets	(4.8)
Total net interest cost	(1.0)
Administrative expenses and taxes	0.6
Total pension charge	**(0.4)**

There are no comparatives for the prior year

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

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

There are no comparatives for the prior year

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 at 30 November 2019 - Quoted	30 November 2019 £'m
Debt securities	133.1
Equity instruments	36.7
Cash and cash equivalents	0.6
Total	**170.4**

Movement in the Plan

The following table discloses the movement in the current year.

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**

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 2017	1	-	-
Shares issued in year	37,000	-	3.7
At 30 November 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**

The Company has issued and allotted 15,319,873 fully paid ordinary shares of £1 each.

On 1 December 2018 for AIG Europe Limited's 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**

21.3 PROFIT AND LOSS ACCOUNT

	30 November 2019 £'m
At 1 December 2017	**-**
Result for the year	-
At 1 December 2018	**-**
Transfer in on group restructuring	518.3
Profit for the year	146.8
Other comprehensive income	(8.9)
Equity settled share based payment schemes	6.9
At 30 November 2019	**663.1**

22 TECHNICAL PROVISIONS

Gross basis	30 November £'m	30 November £'m
Claims reported	2,342.5	-
Claims incurred but not reported (IBNR)	2,105.9	-
Loss adjustment expenses	123.9	-
Claims outstanding including IBNR and LAE	**4,572.3**	**-**
Unearned premiums	1,057.4	-
Gross basis	**5,629.7**	**-**
Recoverable from reinsurers		
Claims reported	1,091.5	-
Claims incurred but not reported (IBNR)	671.2	-
Loss adjustment expenses	43.1	-
Claims outstanding including IBNR and LAE	**1,805.8**	**-**
Unearned premiums	397.7	-
Recoverable from reinsurers	**2,203.5**	**-**
Net basis		
Claims reported	1,251.0	-
Claims incurred but not reported (IBNR)	1,434.7	-
Loss adjustment expenses	80.8	-
Claims outstanding including IBNR and LAE	**2,766.5**	**-**
Unearned premiums	659.7	-
Net basis	**3,426.2**	**-**

Included within claims incurred but not reported (IBNR) above is £77.6 million (2018: £nil) of unallocated loss adjustment expenses.

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.

Outstanding claims provisions based on undiscounted estimates of future claims payments totalling £234.9 million (2018: £nil) are subject to discounting under AIG policy. Discount rates of 3.5% (2018: nil (Periodical Payment Orders) and 1.5% (2018: nil) (Future Policy Benefits) were applied in 2019 resulting in discounted reserves of £102.0 million (2018: £nil).

Movements in Insurance Liabilities and Reinsurance Assets – Claims

Claims	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**

There are no comparatives for the prior year

On 1 December 2018, 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'.

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 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		
	Reserves at 30 November 2019	25th percentile	75th percentile	90th percentile	25th percentile	75th percentile	90th percentile	25th percentile	75th percentile	90th percentile
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	%	%	%
Total	2,766.5	2,548.3	2,956.4	3,176.7	(218.2)	189.9	410.2	-8.2%	7.1%	15.3%

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 2019.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Estimate of ultimate claims costs											
At end of accident year	1,491.4	1,886.1	1,447.9	1,347.6	1,465.9	1,290.5	1,665.6	1,403.6	1,710.6	1,413.2	
One year later	1,699.6	1,823.3	1,290.2	1,232.8	1,378.3	1,356.8	1,616.2	1,502.5	2,333.6		
Two years later	1,702.2	1,587.4	1,190.1	1,165.2	1,373.3	1,447.9	1,615.1	1,485.1			
Three years later	1,598.1	1,553.1	1,219.8	1,126.4	1,431.5	1,503.2	1,583.8				
Four years later	1,556.0	1,511.3	1,217.5	1,191.2	1,670.8	1,523.6					
Five years later	1,531.2	1,526.1	1,243.7	1,186.8	1,625.5						
Six years later	1,514.6	1,524.4	1,245.8	1,221.5							
Seven years later	1,513.2	1,522.7	1,273.8								
Eight years later	1,572.2	1,517.0									
Nine years later	1,548.1										
Cumulative claims payments											
At end of accident year	(370.6)	(354.6)	(251.4)	(241.5)	(379.9)	(252.6)	(340.1)	(231.4)	(321.8)	(344.8)	
One year later	(927.0)	(888.2)	(609.3)	(558.4)	(766.3)	(647.1)	(843.5)	(670.7)	(1,079.5)		
Two years later	(1,182.0)	(1,084.0)	(780.1)	(749.1)	(1,139.4)	(876.3)	(1,067.6)	(912.5)			
Three years later	(1,304.6)	(1,237.0)	(903.6)	(872.4)	(1,231.0)	(1,021.3)	(1,219.2)				
Four years later	(1,388.7)	(1,306.5)	(1,001.7)	(975.7)	(1,346.3)	(1,212.0)					
Five years later	(1,445.1)	(1,371.7)	(1,054.4)	(1,053.7)	(1,399.3)						
Six years later	(1,469.5)	(1,418.5)	(1,127.4)	(1,106.8)							
Seven years later	(1,495.5)	(1,442.3)	(1,188.6)								
Eight years later	(1,495.2)	(1,457.9)									
Nine years later	(1,517.1)										
Current estimate of cumulative claims	**1,548.1**	**1,517.0**	**1,273.8**	**1,221.5**	**1,625.5**	**1,523.6**	**1,583.8**	**1,485.1**	**2,333.6**	**1,413.2**	**15,525.2**
Cumulative payments to date	**(1,517.1)**	**(1,457.9)**	**(1,188.6)**	**(1,106.8)**	**(1,399.3)**	**(1,212.0)**	**(1,219.2)**	**(912.5)**	**(1,079.5)**	**(344.8)**	**(11,437.7)**
Claims liability outstanding	**31.0**	**59.1**	**85.2**	**114.7**	**226.2**	**311.6**	**364.6**	**572.6**	**1,254.1**	**1,068.4**	**4,087.5**
Claims liability for prior years											484.8
Total liability included in Balance Sheet											**4,572.3**

Insurance Claims - Net of Reinsurance

Accident year	2010 £'m	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	Total £'m
Estimate of ultimate claims costs											
At end of accident year	868.6	883.6	844.1	910.0	929.2	973.0	943.6	996.1	1,034.3	808.4	
One year later	898.8	834.4	792.9	830.2	875.8	995.2	979.9	996.9	1,089.2		
Two years later	862.3	766.6	730.8	778.2	900.5	1,061.5	1,029.1	982.7			
Three years later	840.8	767.9	730.1	757.5	937.3	1,103.7	1,030.5				
Four years later	818.6	757.1	724.1	805.6	957.2	1,101.0					
Five years later	811.5	779.9	732.6	803.5	936.3						
Six years later	808.9	790.8	743.6	832.7							
Seven years later	813.0	805.3	746.6								
Eight years later	821.5	789.1									
Nine years later	812.3										
Cumulative claims payments											
At end of accident year	(202.0)	(164.7)	(157.8)	(160.7)	(167.5)	(193.3)	(184.5)	(171.0)	(201.5)	(197.1)	
One year later	(421.1)	(355.6)	(361.3)	(365.1)	(416.6)	(482.6)	(470.1)	(461.4)	(500.1)		
Two years later	(547.6)	(475.3)	(470.8)	(502.6)	(625.8)	(662.0)	(632.4)	(632.2)			
Three years later	(634.2)	(578.3)	(555.4)	(598.1)	(697.4)	(772.3)	(747.5)				
Four years later	(698.7)	(626.7)	(608.9)	(665.8)	(754.5)	(889.5)					
Five years later	(741.1)	(680.1)	(640.0)	(724.2)	(796.4)						
Six years later	(760.6)	(720.2)	(683.7)	(761.8)							
Seven years later	(782.5)	(740.1)	(699.3)								
Eight years later	(781.7)	(745.7)									
Nine years later	(792.9)										
Current estimate of cumulative claims	**812.3**	**789.1**	**746.6**	**832.7**	**936.3**	**1,101.0**	**1,030.5**	**982.7**	**1,089.2**	**808.4**	**9,128.8**
Cumulative payments to date	**(792.9)**	**(745.7)**	**(699.3)**	**(761.8)**	**(796.4)**	**(889.5)**	**(747.5)**	**(632.2)**	**(500.1)**	**(197.1)**	**(6,762.5)**
Claims liability outstanding	**19.4**	**43.4**	**47.3**	**70.9**	**139.9**	**211.5**	**283.0**	**350.5**	**589.1**	**611.3**	**2,366.3**
Claims liability for prior years											400.2
Total liability included in Balance Sheet											**2,766.5**

Movements in Insurance Liabilities and Reinsurance Assets – Unearned Premiums

Premiums	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**

There are no comparatives for the prior year

23 CURRENT AND DEFERRED TAXATION

Current tax	30 November 2019 £'m	30 November 2018 £'m
Current tax asset	-	-
Current tax liability	(15.8)	-
Net current tax liability	**(15.8)**	**-**

Deferred tax	30 November 2019 £'m	30 November 2018 £'m
Deferred tax asset	37.6	-
Deferred tax liability	(33.8)	-
Net deferred tax asset	**3.8**	**-**

Net deferred tax asset breakdown	30 November 2019 £'m	30 November 2018 £'m
Insurance reserves	(7.0)	-
Property, plant and equipment	4.2	-
Pensions and similar obligations	(4.4)	-
Other assets/(liabilities)	(8.5)	-
Losses	19.5	-
Net deferred tax asset	**3.8**	**-**

Current tax assets and liabilities are recoverable/payable within one year. 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 2020 will be £0.5 million, representing brought forward losses amounting to £9.5 million, claim equalisation reserve deferred tax losses of £3.5 million and a OCI deferred tax loss of £6.5 million.

24 CREDITORS

	30 November 2019 £'m	30 November 2018 £'m
Insurance payables arising out of direct insurance		
Due to intermediaries	78.0	-
	78.0	**-**
Insurance payables arising out of reinsurance operations		
Due to policyholders	131.2	-
Due to related parties	147.5	-
	278.7	**-**
Other creditors including tax and social security		
Due to related parties	263.3	-
Other	75.6	-
Assets held as collateral - related parties	3.9	-
	342.8	**-**
Total creditors	**699.5**	**-**
Amounts to be settled within one year	695.6	-
Amounts to be settled more than one year	3.9	-
	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 £328.5 million (30 November 2018: £nil).

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 2019 (30 November 2018: £ nil).

27 OPERATING LEASE COMMITMENTS

At 30 November 2019, the Company had annual commitments in respect of non-cancellable operating leases.

The Company is committed to payments in 2020 which are expected to be £1.7 million (2018: £nil). The total of future minimum lease payments under non-cancellable operating leases on land and buildings are £5.1 million (2018: £nil), 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 2019	1.7	3.1	0.3	**5.1**
At 30 November 2018	-	-	-	**-**

The Company expects to receive total future sublease payments of £6.6 million (2018: £nil) in relation to non-cancellable operating leases on properties over the next 6 years (2018: nil).

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% (2018: 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 2019. 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 known items to report.