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Talbot Underwriting Ltd Syndicate 2019

Combined Annual and Underwriting Report and Accounts

31 December 2023

Combined Annual and Underwriting Report and Accounts 2023

Contents

Officers and professional advisors

Managing Agent
Talbot Underwriting Ltd
60 Threadneedle Street
London
EC2R 8HP

Bankers
Citibank NA
Barclays plc

Managing Agent's registered number
2202362

Directors

CJR Rash	(Chief Executive)
JG Ross	(Chief Risk Officer)
RE Bean	(Chief Underwriting Officer)
RD Cowling	(Chief Financial Officer)
ME Hind	(Independent non-executive)
DJ Batchelor	(Independent non-executive)
MEA Carpenter	(Non-executive)
KA Coates	(Independent non-executive)
JL Hancock	(Non-executive)
TA Bolt	(Non-executive)

Investment managers
BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London
EC2N 2DL

Lloyd's Treasury Services
One Lime Street
London
EC3M 7HA

Company secretary

M-C Gallagher

Independent auditors

PricewaterhouseCoopers LLP
7 More London
Riverside
London
SE1 2RT

Syndicate

Syndicate 2019

Active underwriter
A Howse

Talbot Underwriting Ltd Syndicate 2019

Annual Report and Accounts

31 December 2023

Report of the Directors of the Managing Agent

The Directors of the Managing Agent, Talbot Underwriting Ltd (TUL), present the annual report and audited accounts of Syndicate 2019 (the Syndicate) for the year ended 31 December 2023. The annual report is prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

The comments below refer to both information prepared on an annual accounting basis and information derived from a Lloyd's underwriting year of account basis. The latter is included where it is used to manage the business.

Principal activity and developments in the period

The principal activity of the Syndicate is the underwriting of a proportional quota share reinsurance contract covering High Net Worth (HNW) personal lines insurance business in the US, underwritten by American International Group, Inc (AIG). The quota share contract provides coverage for AIG HNW policies, incepting from 1 January each year.

During the year AIG closed its definitive agreement with Stone point Capital to form Private Client Select Insurance Services (PCS). The MGA commenced trading in the third quarter. As part of this new structure, AIG Private Client Group business has moved to the MGA and rebranded as PCS. The Syndicate continues to reinsure AIG, who is the lead carrier for PCS and has an equity stake in the MGA. This had no impact on the Syndicate's financial performance during the year.

Overview

The Syndicate result for the year was a profit of $59.2m (2022: loss of $64.2m). The Syndicate's key financial performance indicators during the year were as follows:

	2023	2022	2021	2020
Results for the financial year	$m	$m	$m	$m
Gross premiums written	748.5	602.4	773.4	724.7
Net earned premiums	719.0	677.1	728.0	370.1
Investment return	34.2	(13.8)	(2.0)	0.6
Profit/ (loss) for the financial year	59.2	(64.2)	(101.3)	(67.1)

Key performance indicators	2023	2022	2021	2020
Net claims ratio (%)[1]	65.3	73.7	77.7	81.8
Net expense ratio (%)[2]	31.3	33.7	35.9	36.4
Combined ratio (%)[3]	96.6	107.4	113.6	118.2

[1] The ratio of net claims ratio of net claims incurred to net earned premiums.
[2] The ratio of net operating expenses (both net acquisition costs and administrative expenses) to net earned premiums.
[3] The total of net claims and net operating expenses as a percentage of net earned premium.

The Syndicate purchases no reinsurance and, as such, gross premiums and claims equal net premiums and claims, respectively.

Report of the Directors of the Managing Agent (continued)

Review of the business

Underwriting

The Syndicate underwrites a 70.0% quota share of AIG's HNW portfolio for the 2023 underwriting year of account (2022 underwriting year of account: 57.8%). The portfolio is protected by a reinsurance programme purchased by AIG, comprising excess of loss, quota share and facultative covers, which is applied before premium is ceded to the Syndicate. The Syndicate did not purchase any reinsurance in 2023 (2022: nil).

Throughout 2022 and 2023, AIG executed on a number of strategic underwriting initiatives to reduce the volatility of the portfolio, including the withdrawal from certain US admitted markets and targeted de-risking to reduce catastrophe perils. With the strategic initiatives materially complete, there is now a focus on monitoring the effectiveness of these actions and maintaining underwriting discipline.

Gross premiums written

Premiums written by class of business for the calendar year were as follows:

	2023	2022
	$m	$m
Homeowners	487.0	357.2
Auto	137.0	118.3
Collections Fine Art	12.8	10.2
Collection General Specie	35.5	55.1
Yacht	14.2	6.9
Excess Liability	59.3	52.8
Workers Comp	2.7	1.9
Total gross premiums written	748.5	602.4

Gross premiums written increased by $146.1m in 2023 to $748.5m (2022: $602.4m), primarily driven by the increase in cession of the AIG HNW Quota Share from 57.8% to 70.0%.

Net claims ratio

Net claims incurred as a percentage of net earned premiums were as follows:

	2023	2022
Current year notified claims - catastrophe (%)	9.4	17.5
Current year claims - attritional (%)	56.7	56.1
Change in prior years' net claims (%)	(0.8)	0.1
Net claims ratio (%)	65.3	73.7

The overall net claims ratio for the year was 65.3% (2022: 73.7%). After the first three years of the Syndicate being impacted by US catastrophes, the 2023 loss ratio is an improvement on the prior year and reflects the underwriting actions taken on the portfolio.

The current year catastrophe claims ratio is 9.4% which has reduced from 17.5% in 2022, albeit the current year includes a higher frequency of convective and winter storms. The current year benefitted from a lower severity of catastrophe events, Hurricane Ian contributed 12.8pts to the equivalent 2022 ratio.

Net operating expenses

Net operating expenses for the year are set out below:

	2023 $m	2022 $m
Net acquisition costs	202.1	212.4
Administrative expenses	22.4	15.8
Net operating expenses	224.5	228.2

As % of net earned premiums		
Net acquisition expense ratio (%)	28.1	31.4
Administrative expense ratio (%)	3.1	2.3
Net expense ratio (%)	31.2	33.7

Net acquisition costs comprise the ceding commission as specified in the respective underwriting year of account quota share contracts. The net acquisition ratio of 28.1% (2022: 31.4%) is a blend of costs associated with premium earned across each year of account in the period. The quota share acquisition ratio for the 2023 underwriting year of account is unchanged from the 2022 underwriting year of account (28.0%). Administrative expenses comprise mainly of Lloyd's costs and managing agency fees and interest on borrowings.

Investment return

The return on Syndicate funds is shown below:

2023	$m
Average Syndicate funds available for investment	763.3
Investment profit for the year	34.2
Calendar year investment return (%)	4.5
2022	**$m**
Average Syndicate funds available for investment	738.2
Investment profit for the year	(13.8)
Calendar year investment return (%)	(1.9)

The full year result includes an investment profit of $34.2m (2022: loss of $13.8m) equating to a positive return of 4.5% (2022: negative return of 1.9%). Investment return includes net unrealised gains of $20.6m (2022: unrealised losses of $20.9m), net realised losses of $4.6m (2022: $2.2m) and income from investments net of expenses of $18.2m (2022: $9.3m). Investment return is due to the increase in coupon income and the mark-to-market impact from decreasing bond yields in the later part of the year. As a result, prior year unrealised losses have partly reversed. Refer to note 8 for further details of investment income, expenses and charges.

Financial Position

The Syndicate's members' balance was a deficit of $46.8m at 31 December 2023 (2022: deficit of $232.6m). The main components of the balance sheet are financial investments and technical provisions.

Financial investments consist primarily of debt securities, issued by governments, government agencies, or high-grade corporate entities and comprise 80.1% of the investment portfolio (2022: 92.3%). Investment guidelines do not allow the holding of equities. All investments are traded within liquid markets. The fair value of investments is determined predominantly by TUL's investment managers, using data from a number of sources including index providers, commercial valuation providers and broker-dealers. At 31 December 2023, the fair value of investments was $732.3m (2022: $759.1m) and the portfolio composition, as well as further details on valuation methodology is shown in note 9.

The Lloyd's market was approved as a Reciprocal Reinsurer by US regulators and the National Association of Insurance Commissioners (NAIC). All US reinsurance contracts written by the Syndicate incepting on or after 1 October 2022 are written under the Reciprocal Reinsurer status with no collateral required to be posted in the Lloyd's Credit for Reinsurance Trust Funds (CRTFs). All of the Syndicate's business is in scope of CRTF requirements. With no ongoing requirement from this date, the release of funds from the trust has resulted in an improvement in the Syndicate's liquidity during the year and repayment of the intra group loan facility. Refer to note 4(c) Liquidity Risk for further details.

Technical provisions include a provision for claims outstanding of $608.0m (2022: $598.6m) and a provision for unearned premiums of $354.9m (2022: $325.4m). Refer to note 3 for further details on the reserving methodologies used for claims provisions and the judgements and uncertainties involved.

Capital

The capital model is used to set the Syndicate's capital. The Syndicates managed by TUL comply with Lloyd's capital setting processes, which are described in note 16.

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. Lloyd's is A rated by A.M. Best, AA- by Fitch Ratings, AA- by Kroll Bond Rating Agency and AA- by Standard & Poor's. This chain of security provides the financial strength that ultimately backs the insurance written through Lloyd's.

- All premiums received by Syndicates are held in trust
- Every member is required to hold capital at Lloyd's known as Funds at Lloyd's (FAL)
- Central assets are available at the discretion of the council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

The Syndicate's 2024 underwriting plan is fully capitalised with FAL that is entirely provided by AIG, which is A rated by A.M. Best and A+ by Fitch Ratings and Standard & Poor's.

Future developments

The Syndicate capacity for the 2024 underwriting year of account is unchanged at £498.2m (2023: £498.2m). The Syndicate has renewed the quota share of AIG's HNW portfolio for the 2024 year of account, for which the cession has reduced to 50.0% (2023: 70.0%). Cessions in future years from AIG to the Syndicate may vary depending on the premium volumes written by the PCS MGA.

On 1 November 2023, AIG (the ultimate parent and controlling party of TUL) completed the sale of Validus Re to Renaissance Re. AIG have retained TUL, which was purchased as part of its 2018 acquisition of Validus Holiding Limited. Whilst the sale has no impact on the Syndicate result for 2023, TUL shares IT infrastructure and support functions with Validus Re. The sale of Validus Re by AIG has necessitated separation, and accelerated the alignment of IT and operations with AIG. Whilst enabling greater strategic and operational alignment of TUL with AIG, it will involve future changes to information technology infrastructure, business applications and processes.

Additionally, TUL will relocate to the AIG London office in the first half of 2024, providing the opportunity to further embed TUL's position within the AIG UK franchise as AIG's centre of underwriting excellence at Lloyd's.

The Directors have a reasonable expectation that the Syndicate will continue as a going concern.

Principal risks and uncertainties

The principal risks and uncertainties to the Syndicate are insurance, credit, liquidity, market, operational and climate risks. A description of these principal risks and uncertainties, as well as details around TUL's wider risk management framework, is set out in note 4 to the financial statements (risk management).

Whilst the US inflation peaked in 2023, inflation rates remain above the Federal Reserve's long term target. TUL will continue to monitor the need for rate increases to keep pace with rising claims costs resulting from inflationary pressures, as well as consider the appropriate inflation assumptions used in reserving methodologies.

The Syndicate, for the 2022 and prior years of account has a number of corporate members, including the majority participant PCG 2019 Corporate Member Limited, which is part of the AIG Group. For the 2023 underwriting year of account, the Syndicate is wholly aligned to one member, PCG 2019 Corporate Member Limited. The capital and solvency position of the Syndicate remains robust with continued support from AIG, as evidenced by its commitment of capital support for the 2024 Syndicate Business Plan. The Syndicate has available resources to mitigate all modelled stress scenarios.

Report of the Directors of the Managing Agent (continued)

Directors

The Directors of the Managing Agent during the period from 1 January 2023 to the date of this report were as follows:

CJR Rash	(Chief Executive)
JG Ross	(Chief Risk Officer)
RE Bean	(Chief Underwriting Officer)
RD Cowling	(Chief Financial Officer)
ME Hind	(Independent non-executive)
DJ Batchelor	(Independent non-executive)
MEA Carpenter	(Non-executive)
KA Coates	(Independent non-executive)
JL Hancock	(Non-executive, shareholder representative)
TA Bolt	(Non-executive, shareholder representative)

Active Underwriter

A Howse

Company Secretary

M-C Gallagher

Statutory Information

Disclosure of information to auditors

The Directors of the Managing Agent who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

The current Syndicate auditors, PricewaterhouseCoopers LLP, will be reappointed.

Annual General Meeting

Subject to the consent of Lloyd's, it is not intended to hold a Syndicate Annual General Meeting in 2024.

Statement of Managing Agent's responsibilities

The Directors of the Managing Agent are required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 to prepare Syndicate annual accounts at 31 December each year which give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that year. The Directors have elected to prepare the Syndicate annual accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Account Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102).

The Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these accounts, the Directors are required to:

* Select suitable accounting policies and then apply them consistently;
* Make judgements and estimates that are reasonable and prudent;
* State whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Syndicate annual accounts; and
* Prepare the Syndicate annual accounts on the basis that the Syndicate will continue to write business unless it is inappropriate to presume that the Syndicate will do so.

The Directors of the Managing Agent confirm that they have complied with the above requirements in preparing the Syndicate annual accounts.

The Directors of the Managing Agent are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that its accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

RD Cowling, Chief Financial Officer
27 February 2024

Independent auditors' report to the members of Syndicate 2019

Report on the audit of the Syndicate annual accounts

Opinion

In our opinion, Syndicate 2019's syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Annual Report and Accounts (the "Annual Report"), which comprise: the balance sheet as at 31 December 2023; the profit and loss account: technical account - general business, the profit and loss account: non-technical account, the statement of cash flows, and the statement of changes in members' balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the syndicate annual accounts* 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 syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, 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.

Other than those disclosed in note 6, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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

In auditing the syndicate annual accounts, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

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

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

Independent auditors’ report to the members of Syndicate 2019 (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors’ report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts 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 syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts 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 syndicate annual accounts 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 Report of the Directors of the Managing Agent (the “Managing Agent’s Report”), we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing Agent’s Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent’s Report for the year ended 31 December 2023 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent’s Report.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent’s Responsibilities, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate’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 it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts 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 syndicate annual accounts.

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

Independent auditors' report to the members of Syndicate 2019 (continued)

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition and management override of controls, including the potential for management bias in significant accounting estimates, particularly in relation to estimated premium income and incurred but not reported provisions included in claims outstanding. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, the compliance function and the Internal Audit Group of the Managing Agent, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud;
- Assessment of matters reported on the Managing Agent's whistleblowing helpline relevant to the syndicate and the results of investigations of such matters;
- Reviewing relevant meeting minutes, including those of the Board, Reserve committee, Risk and Compliance Committee, and the Audit Committee of the Managing Agent, and correspondence with regulatory authorities, including the Council of Lloyd's, the Prudential Regulation Authority, and the Financial Conduct Authority;
- Testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to estimated premium income and incurred but not reported provisions included in claims outstanding;
- Identification and testing of journal entries identified as potential indicators of fraud, particularly post close journals, those with unusual account combinations, duplicate journals and reversals posted within the same period, or journals posted by employees who have left the entity; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of testing.

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

A further description of our responsibilities for the audit of the syndicate annual accounts 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 syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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.

Independent auditors' report to the members of Syndicate 2019 (continued)

Other required reporting

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2024

Profit and loss account: technical account – general business

For the year ended 31 December 2023

	Note	2023 $m	2022 $m
Gross premiums written	5	748.5	602.4
Outwards reinsurance premiums		-	-
Net premiums written		748.5	602.4
Change in gross provision for unearned premiums		(29.5)	74.7
Reinsurers' share of change in the provision for unearned premium		-	-
Change in the net provision for unearned premiums		(29.5)	74.7
Earned premiums, net of reinsurance		719.0	677.1
Allocated investment return transferred from the non-technical account		34.2	(13.8)
Gross claims paid		(460.2)	(415.5)
Reinsurers' share of claims paid		-	-
Claims paid net of reinsurance		(460.2)	(415.5)
Change in the gross provision for claims		(9.5)	(83.5)
Change in the provision for claims, reinsurers' share		-	-
Change in the net provision for claims		(9.5)	(83.5)
Claims incurred, net of reinsurance		(469.7)	(499.0)
Net operating expenses	6	(224.5)	(228.2)
Balance on the technical account for general business		59.0	(63.9)

Profit and loss account: non-technical account

For the year ended 31 December 2023

	Note	2023 $m	2022 $m
Balance on the technical account for general business		59.0	(63.9)
Investment income	8(a)	22.3	10.3
Unrealised gains on investments		21.8	2.9
Investment expenses and charges	8(b)	(8.8)	(3.2)
Unrealised losses on investments		(1.1)	(23.8)
		34.2	(13.8)
Allocated investment return transferred to the technical account		(34.2)	13.8
Profit / (loss) on exchange		0.2	(0.3)
Profit / (loss) for the financial year	12	59.2	(64.2)

There was no other comprehensive income or expense in the year.

Balance sheet
As at 31 December 2023

	Note	2023 $m	2022 $m
Assets			
Investments	9	732.3	759.1
		732.3	759.1
Debtors			
Debtors arising out of reinsurance operations	10	74.0	41.4
Other debtors	11	14.7	5.8
		88.7	47.2
Other assets			
Cash at bank and in hand		0.9	41.5
Deferred acquisition costs		99.4	91.1
		100.3	132.6
Total assets		921.3	938.9
Liabilities			
Capital and reserves			
Members' balance	12	(46.8)	(232.6)
Technical provisions			
Provision for unearned premiums	13	354.9	325.4
Claims outstanding	13	608.0	598.6
		962.9	924.0
Creditors			
Other creditors including taxation and social security	14	3.2	246.2
		3.2	246.2
Other Liabilities			
Accrued expenses		2.0	1.3
		2.0	1.3
Total Liabilities		921.3	938.9

The notes on pages 19 to 36 are an integral part of these financial statements.

The financial statements on pages 14 to 36 were approved by the Board of Directors on 23 February 2024 and signed on its behalf by:

RD Cowling, Chief Financial Officer
27 February 2024

Statement of changes in members' balance

For the year ended 31 December 2023

	Note	2023 $m	2022 $m
Balance at 1 January		(232.6)	(168.4)
Profit / (loss) for the financial year		59.2	(64.2)
Cash calls from member		126.6	-
Balance at 31 December	12	(46.8)	(232.6)

The members participate on the Syndicate by reference to underwriting year of account. Analysis of the members' balance by underwriting year of account is shown in note 12 to these accounts.

Statement of cash flows

For the year ended 31 December 2023

	2023	2022
	$m	$m
Profit / (loss) for the financial year	59.2	(64.2)
Increase in gross technical provisions	39.1	8.8
(Increase) / decrease in debtors	(32.7)	20.1
Increase / (decrease) in creditors	1.6	(3.6)
Movement in other assets / liabilities	(6.6)	43.8
Investment return	(34.2)	13.8
Foreign exchange	(0.2)	0.1
Net cash flows from operating activities	26.2	18.8
Cash flows from investing activities		
Purchase of debt instruments	(496.2)	(647.1)
Sale of debt instruments	574.6	575.6
Investment income received	14.3	6.5
Other	(0.4)	(2.2)
Net cash flow from investing activities	92.3	(67.2)
Cash flows from financing activities		
Cash calls from member	126.6	-
(Repayment) / draw down on intra group loan facility	(199.2)	43.8
Net cash flows from financing activities	(72.6)	43.8
Net increase / (decrease) in cash and cash equivalents	45.9	(4.6)
Cash and cash equivalents at beginning of year	89.5	94.1
Cash and cash equivalents at end of year	**135.4**	**89.5**
Cash at bank and in hand	0.9	41.5
Short term investments - cash equivalents	134.5	48.3
Amounts owed to credit institutions	-	(0.3)
Cash and cash equivalents at end of year	**135.4**	**89.5**

Notes to the annual accounts

1 Basis of preparation

The accounts of Syndicate 2019 have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), Insurance Contracts standard (FRS 103) and Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Having assessed the principal risks to the Syndicate, the Directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. The AIG HNW quota share reinsurance contract has been renewed for 2024. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing these accounts.

These accounts are prepared under the historical cost convention, as modified by certain financial assets measured at fair value through profit and loss.

The preparation of accounts in conformity with FRS 102 and 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are used are shown in note 3 below.

2 Accounting policies

The financial statements have been prepared on an annual basis, whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(a) Insurance contracts – classification

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder is classified as an insurance policy.

(b) Gross premiums written

Gross premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. 2020, 2021, 2022 and 2023 each comprise a single quota share contract incepting on 1 January, which renews annually. Premiums are shown gross of acquisition costs. Premiums include estimated amounts of premium due but not yet received or notified – refer to note 3 for more details on premium estimates.

(c) Outwards reinsurance premiums

Outwards reinsurance premiums written comprise premiums for contracts incepted during the financial year as well as adjustments made in the year to outwards reinsurance premiums written in prior accounting periods. There has been no outwards reinsurance since the inception of the Syndicate.

(d) Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date. The provision for unearned premiums is calculated on a pro rata basis. The Syndicate underwrites risks attaching during (RAD) contracts for which premiums are earned in line with the gross premiums to which the risk attaching contract relates.

(e) Claims incurred

Claims incurred comprise: (i) claims and related expenses paid in the year; (ii) changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR); (iii) related claims expenses; and (iv) any other adjustments to claims from previous years.

2 Accounting policies (continued)

(f) Claims provisions and related reinsurance recoveries

Provision is made at the year-end for the estimated cost of unpaid claims incurred.

In calculating the claims provisions, the Syndicate uses generally accepted estimation techniques applied to underwriting year of account data, usually based upon analyses of historical experience, which assume that the development pattern of future claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to alter when compared with the cost of those previously settled. Catastrophe and Large claims that impact specific classes of business are assessed and measured on a case by case basis or projected separately.

The Syndicate writes a mix of predominantly short tail business, wherein most of the claims are settled within relatively few years following the writing of the policy. A proportion of the Syndicate's short tail business is, however, low frequency and high severity in nature, which increases the volatility of the data.

For longer tail business, where there are liability exposures, the time from the occurrence of a claim to it being reported and the subsequent time before settlement of the claim can be many years. In this time, additional facts regarding individual claims and trends often will become known and legislation and case law may change, affecting the ultimate value of the claim.

Provisions are calculated net of any reinsurance recoveries. There has been no outwards reinsurance since inception of the Syndicate.

Net ultimate claims provision are split between earned and unearned components, based upon earned exposure at the balance sheet date.

The factors above bring considerable uncertainty to the process of estimating earned ultimate losses and earned claims provisions.

The Directors consider that the claims provisions are fairly stated on the basis of the information currently available to them. However, the ultimate liability may vary as a result of subsequent information and this may result in significant adjustments in future years to the amounts provided.

(g) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums on these contracts, after the deduction of any deferred acquisition costs.

The Syndicate reinsures a single annual reinsurance contract and all business is reinsured together under one contract. There are no unexpired risk provisions to be reported in the current or prior year.

(h) Acquisition costs

Acquisition costs, calculated as a percentage of premium, comprising ceding commission, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(i) Foreign currency

The functional and presentational currency of the Syndicate is the US dollar. Transactions in other currencies are translated into US dollars at the average rates of exchange for the period or at the contracted forward rates of exchange. Assets and liabilities denominated in other currencies are translated into US dollars at the closing rates of exchange for the period.

Foreign exchange gains and losses resulting from the translation of transactions or the translation of assets and liabilities are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

The principal rates of exchange used in preparing these financial statements were as follows:

	2023		2022	
	Average	Closing	Average	Closing
Sterling	0.80	0.78	0.81	0.83

2 Accounting policies (continued)

(j) Investment return

Investment return comprises of all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between net sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

Investment return is recorded initially in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

(k) Financial assets and liabilities

Financial assets

Basic financial assets including insurance debtors, other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at the market rate of interest. Such assets are subsequently carried at amortised cost less any provision for impairments.

Investments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit and loss, except that investments whose fair values cannot be measured reliably are measured at cost less impairment.

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

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

Financial liabilities

Basic financial liabilities include insurance creditors and other creditors, recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Insurance debtors and creditors

Insurance debtors and creditors include amounts due to and from brokers and contract holders. These are classified as insurance debtors and creditors as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

(l) Taxation

Under Schedule 19 of the Finance Act 1993, Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate on behalf of members during the year are included in the balance sheet under the heading ‘other debtors’.

No provision has been made for any other overseas tax payable by members on underwriting results.

2 Accounting policies (continued)

(m) Profit commissions

Profit commissions payable to the managing agent, which are expected to arise on closure of a Lloyd's year of account, are recognised on an accruals basis, taking into consideration any deficit clauses. The managing agent's charges for the 2023, 2022 and 2021 years of account do not include profit commission.

(n) Members' balance and distribution

The members' balance represents the retained profit or loss relating to all underwriting years of account net of any profit distribution or cash calls received in respect of losses.

3 Key judgements and uncertainties

Premium estimates

Significant estimates include premium written and the earning pattern of recognising premium over the life of the policy.

Syndicate 2019 writes a single annual quota share reinsurance contract. Premium written is initially based on estimated premium income (EPI) recognised in full at inception based on what will be ultimately written under the contract.

The premium ceded to, and recognised by, the Syndicate under the quota share contract is net of deemed reinsurance outlined within the quota share reinsurance contract and applied by the cedent prior to cession to the Syndicate. The cedent's reinsurance programme is not exclusive to the portfolio of business ceded under the quota share contract and thus the reinsurance applied prior to cession to the Syndicate represents an allocation of the total reinsurance coverage the cedent has purchased.

Premium written is provided quarterly by AIG, which will include actuals and estimates for future months of the underwriting year, and is adjusted to actual as the underwriting year develops. Premium estimates will also include estimates for the reinsurance applied before the cession of premium. These reinsurance cost estimates will include allocation to the business ceded under the quota share as well as allocation to underwriting year.

Premium estimates are reviewed at least quarterly. Quarterly EPI reflects actual underlying written premium and forecast for future months, which are compared to plan and previous quarters' actuals for reasonableness. The allocation of reinsurance applied by AIG prior to cession is validated against modelling outputs as well as placing broker analysis. Premium estimates are subject to review and approval by the Active Underwriter and Reserve Committee. A source of uncertainty arises from the fact that, at any given point in time, the EPI could be different to final signed premium thereby leading to an adjustment that could be material.

Premium is earned on a straight-line basis for underlying AIG policies, which have been ceded under the quota share contract.

Notes to the annual accounts (continued)

3 Key judgements and uncertainties (continued)

Claims provision

Significant estimates include the estimate for insurance losses incurred but not reported (IBNR), which is included in claims outstanding in the balance sheet. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims. If this estimation was to prove inadequate then an exposure would arise in future years where a liability has not been provided for. The total estimate for insurance losses incurred but not reported at 31 December 2023 is $384.3m (2022: $414.4m).

The process for estimating claims provisions considers key sources of uncertainty around the following:

* Future development of inward claims, both reported and unsettled and incurred but not reported claims;
* The allocation of claims liabilities by underwriting year prior to cession to the Syndicate;
* Estimates of claims liabilities for catastrophe events;
* Corresponding reinsurance recoveries prior to cession to the Syndicate, including considerations for the recoveries made under the deemed reinsurance outlined within the quota share reinsurance contracts; and
* The splits of future claim liabilities between earned and unearned exposures.

Assumptions and expert judgements made to quantify these uncertainties are produced by the cedent's actuarial, claims and reinsurance personnel. Supporting their production are:

* Monthly and quarterly claims and premium data, both gross and net of reinsurance;
* Quarterly cedent updates on expected premium volumes and rating levels in light of business written and prevalent market conditions;
* Ongoing monitoring of developing claims experience relative to that implied/expected from the reserving model, with quarterly assessment of suitability of actuarial reserving assumptions in light of emerging experience; and
* Annual detailed reviews of actuarial assumptions used in the reserving model, including discussions of impact of rate movements, underwriting strategies, reinsurance protection, etc., on these assumptions.

The Syndicate incurred to ultimate development of catastrophe claims can take longer to develop due to the nature of the portfolio and coverage being provided for AIG HNW clients. The estimates of claims provisions allow for alternative living costs and building code changes which may not be generally typical of a property portfolio.

Deemed inuring reinsurance protection on the AIG HNW portfolio applies before cession to the Syndicate. Catastrophe and other claims may, therefore, develop up to a specific retention. The retention and limit of the deemed inuring reinsurance coverage varies depending on the type of coverage and US state.

TUL receives the reserve data from the cedent and reviews these assumptions and judgements. TUL's Reserve Committee sets the claims liability provisions on a best estimate, undiscounted basis.

Inflationary environment

TUL continues to monitor and assess the impact of social and financial inflation on the Syndicate's business. US inflation has remained higher than long-term rates throughout 2023 and, whilst inflation is now returning towards the Federal Reserve target during 2023, the US Consumer Price Index (CPI) remains 1.7 times above target at 3.4% in December 2023 (6.5% December 2022). The Federal Reserve targets inflation of 2.0% over the long run, as measured by the annual change in the price index for personal consumption expenditures. Forecasts predict that US inflation will remain above targets during 2024.

In 2022, TUL established an Inflation Risk Working Group to assess and monitor risks relating to the inflationary environment, including modelling and stress testing for different inflationary scenarios. An inflation allowance was determined and included in technical provisions based on a detailed review of future cash flow with an uplift to severity trend assumptions to reflect heightened claims inflation rates for the 2023 to 2026 financial years.

Under the single annual quota share, the Syndicate is a reinsurer of primarily US admitted business underwritten by AIG who mitigate the impact of inflation on admitted business through Inflation Guard Protection on the Homeowner's line of business, allowing for an adjustment to pricing on a quarterly basis.

4 Risk management

The principal risks to the business of the Syndicate are insurance, credit, liquidity, market, operational and climate risks, as set out below. All risks are managed by the business and overseen by the Board and its sub-committees (most notably the Risk and Compliance Committee, the Underwriting Committee, the Audit Committee and the People and Remuneration Committee). Executive oversight of the Risk Management Framework is delegated to the Chief Executive Officer, who is responsible for ensuring that risk management is embedded as part of TUL's culture, ensuring that risks are properly managed, mitigated and that there are appropriate controls, operating effectively.

The Executive Committee is formed by the Chief Executive Officer in order to discharge duties delegated from the Board and there are also a number of other management committees that support oversight of how risk is managed by the business, including the following:

- Insurance Management Committee (responsible for insurance risk with regard to underwriting);
- Reserve Committee (responsible for insurance risk with regard to reserving);
- Finance Committee (responsible for credit risk (excluding investments), liquidity risk, currency matching risk and financial reporting and process risk);
- Environmental, Social and Governance Committee (responsible for the ESG framework and strategy);
- Investment Committee (responsible for market risk and credit risk with regard to investments); and
- Operational Risk Committee (responsible for operational risks).

The Managing Agent for the Syndicate, TUL is ultimately responsible for the management of risk at the Syndicate level and for formulating the risk appetite for approval by the Board. The Executive Committee maintains a comprehensive risk register and risk management framework on behalf of the Syndicate and TUL. This allows new risks to be identified and new controls to be put in place as necessary, either to reduce the likelihood of an event or to mitigate its impact once it has happened. The Executive Committee also oversees the management of the key risks with regard to strategy and relationships with stakeholders.

TUL's Risk Management Function provides senior management with a consolidated view of key risks and supports the business and management in the embedding of risk management in business processes and in identifying, assessing, quantifying, managing, monitoring, reporting and mitigating risk exposures. This includes risks related to changing climate conditions, and tracking societal changes that could impact operations and elevate reputational risks.

TUL has developed its Environmental, Social and Governance (ESG) Framework with oversight from the Board. The ESG Framework is also aligned to AIG Group and Lloyd's requirements.

(a) Insurance risk

This is risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Insurance risk comprises of both underwriting risk and reserving risk.

Underwriting risk

Underwriting risk arises from differences in timing, frequency and severity of insured events, relative to expectations at the time of underwriting, as well as inappropriate pricing, selection and approval of insurance risks. The AIG business plan, including the deemed reinsurance, for the prospective year of account is reviewed in depth prior to underwriting the quota share contract. The business ceded to the Syndicate is after the application of the deemed reinsurance to arrive at an acceptable level of risk. The Board reviews the deemed reinsurance structure at least annually to determine whether any additional reinsurance is required at a Syndicate level. Underwriting strategy is agreed by the Board and is set out in the Syndicate business plan that is submitted to the Society of Lloyd's for approval each year. Underwriting is aligned with the Syndicate's strategy, agreed business plan and underwriting policy.

The first three years of the Syndicate have been impacted by US catastrophes. Throughout 2022 and 2023, AIG executed on a number of strategic underwriting initiatives to reduce the volatility of the portfolio, including the withdrawal from certain US admitted markets, targeted de-risking to reduce catastrophe exposure and improvements to the underwriting framework and risk selection. With the strategic initiatives materially complete, there is now a focus on monitoring the effectiveness of these actions and maintaining underwriting discipline.

4 Risk management (continued)

(a) Insurance risk (continued)

The nature of the business exposes the Syndicate to various kinds of natural disaster, such as hurricanes, windstorms, hailstorms, flooding, earthquakes, wildfires, and other catastrophes, in which multiple losses can occur and affect multiple lines of business in any given year. TUL's Risk Appetite Framework establishes and maintains appropriate limits on the material risks identified. A significant proportion of the natural catastrophe-related risks that are underwritten by AIG are renewed on an annual basis. This provides the opportunity to regularly re-underwrite and re-price the risk. TUL, in combination with AIG, uses a blend of proprietary and third-party risk models to help better understand the frequency and severity of natural catastrophe risk. TUL and AIG have assembled a collection of hazard and engineering data, client and industry exposure, and loss information all of which have been used to analyse the external catastrophe models, inform catastrophe model selections, and support catastrophe model calibrations which form the in-house view of catastrophe risk. For weather perils TUL models the following: 1) hurricanes including storm surge, 2) floods, 3) wildfires, 4) severe convective storms, and 5) winter storms. TUL has a clear approach for how catastrophe risk is represented in the Internal Model and this includes validation and governance around model selection, model peril evaluation, model use, and model change. Wider climate risk impacts to the Syndicate and their mitigation are detailed in note 4(f) below.

Reserving risk

Reserving risk arises where the claims provisions established in the balance sheet are not adequate to meet eventual claims arising. The level of uncertainty varies significantly across lines of business but can arise from inadequate reserves for known or incurred but not reported (IBNR) claims. These shortfalls can arise from inadequate reserving processes or from the naturally uncertain progress of insurance events.

The Syndicate has exposure to volatile lines of business that carry inherent risk that the ultimate claims settlement will vary from previous assessments of reserves. The Syndicate reserves are annually subject to a formal independent actuarial opinion. The actuarial opinions are covered by a combination of formal Actuarial Professional Standards and specific Lloyd's guidance and rules.

Note 3 contains additional details around the key judgements and uncertainties involved in the estimate for claims provisions as well as how these are managed and overseen. The Syndicate also has in place detailed procedures and controls to manage and monitor the handling and assessment of claims and the setting of appropriate reserves. Note 13 includes further detail on claims provisions and claims development triangles.

(b) Credit risk

Credit risk is defined as the risk that counterparties are unable, or unwilling, to settle their debts as they fall due.

Investment counterparties: Investment guidelines ensure that the Syndicate's investments are held in high quality instruments. The portfolio is monitored for concentration with respect to issuers and credit ratings. Credit risk exposures are calculated regularly and compared with authorised credit limits before further transactions are undertaken with counterparties. All investments and cash balances, as at 31 December 2023, are with counterparties having a credit agency rating of A or better (2022: A or better). US Government credit ratings were downgraded by rating agencies during 2023 resulting in a reduction of AAA and increase in AA rated debt securities.

Reinsurance counterparties: There are no reinsurance counterparties.

Broker counterparties: The quota share contract is entirely written through Aon plc, which has a credit rating of A- (2022: A-).

The Syndicate has no premiums receivable that are past due at the reporting date (2022: nil).

Notes to the annual accounts (continued)

4 Risk management (continued)

(b) Credit risk (continued)

Balances with investment counterparties are rated as follows:

As at 31 December 2023	AAA $m	AA $m	A $m	BBB $m	<BBB $m	Not rated $m	Total $m
Debt securities and other fixed income securities	13.4	411.4	161.6	-	-	-	586.4
Shares and other variable yield securities	134.5	-	-	-	-	5.0	139.5
Overseas deposits	3.8	1.3	0.8	0.5	-	-	6.4
Insurance debtors and receivables	-	-	-	-	-	188.1	188.1
Cash at bank and in hand	-	-	0.9	-	-	-	0.9
	151.7	412.7	163.3	0.5	-	193.1	921.3

As at 31 December 2022	AAA $m	AA $m	A $m	BBB $m	<BBB $m	Not rated $m	Total $m
Debt securities and other fixed income securities	360.8	90.7	248.9	-	-	-	700.4
Shares and other variable yield securities	48.3	-	-	-	-	4.5	52.8
Overseas deposits	4.2	0.5	0.8	0.4	-	-	5.9
Insurance debtors and receivables	-	-	-	-	-	138.3	138.3
Cash at bank and in hand	-	-	41.5	-	-	-	41.5
	413.3	91.2	291.2	0.4	-	142.8	938.9

(c) Liquidity risk

Liquidity risk is defined as the risk that the Syndicate is unable to pay debts or meet regulatory funding requirements as they fall due and can arise if the assets held to settle liabilities are either unable to be realised or they are only realisable at materially below market value or funds are not available to satisfy regulatory requirements.

Syndicate cash flow forecasts are prepared and reviewed by the Finance Committee. Liquidity is also considered by the Finance Committee, when reviewing asset allocation constraints within the investment guidelines.

After 1 October 2022, no collateral is required to be posted to the Credit for Reinsurance Trust Fund (CRTF). All of the Syndicate's business is in scope of CRTF requirements. With no ongoing requirement from this date, the release of funds from the trust has resulted in an improvement in the Syndicate's liquidity during the year and repayment of the intra group loan facility. At 31 December 2023, the balance of the loan is nil (2022: $199.2m). The loan facility has a limit of $300m and a maturity date of 24 April 2025.

At 31 December 2023, the average duration of Syndicate funds to maturity was 1.8 years (2022: 1.4 years) compared to 2.5 years (2022: 2.5 years) for Syndicate claims outstanding.

Notes to the annual accounts (continued)

4 Risk management (continued)

(c) Liquidity risk (continued)

At 31 December 2023	No contractual maturity date $m	< 1 year or on demand $m	Between 1 and 3 years $m	Between 3 and 5 years $m	> 5 years $m	Total carrying value $m
Financial liabilities						
Technical provisions - claims outstanding	-	333.4	187.5	63.1	24.0	608.0
Other creditors including taxation and social security	-	3.2	-	-	-	3.2
	-	336.6	187.5	63.1	24.0	611.2

At 31 December 2022	No contractual maturity date $m	< 1 year or on demand $m	Between 1 and 3 years $m	Between 3 and 5 years $m	> 5 years $m	Total carrying value $m
Financial liabilities						
Technical provisions - claims outstanding	-	340.7	179.0	61.3	17.6	598.6
Other creditors including taxation and social security	-	246.2	-	-	-	246.2
	-	586.9	179.0	61.3	17.6	844.8

4 Risk management (continued)

(d) Market risk

Market risk is the risk that the value of a portfolio of assets will decline due to changes in market factors. These factors include stock market prices, interest rates, foreign exchange rates and commodity prices. The Syndicate only holds variable yield securities and does not hold shares or commodities, it is not directly exposed to the price risk relating to them. Further detail of investments is shown in note 9.

Interest rate risk

This is the risk that an increase in interest rates or volatility in the fixed income markets could result in significant unrealised or realised losses in the market value of the investment portfolio. The Syndicate is exposed to interest rate risk arising on interest bearing assets. Assets with floating interest rates expose the Syndicate to cash flow interest rate risk. Fixed interest rate assets expose the Syndicate to fair value risk. The Syndicate's strategy is to invest in high quality, liquid, fixed and floating rate interest securities and cash and to manage duration actively. The investment portfolios are managed actively to achieve a balance between cash flow interest rate risk and fair value interest rate risk bearing in mind the need to meet the liquidity requirements of the business. If interest rates had increased/decreased by 2.0%, investment return for the year would have been lower/higher by $26.1m (2022: $23.1m at a sensitivity rate of 2.0%).

Foreign exchange risk

This is the risk that foreign exchange rate movements could impact the valuation of assets and liabilities in the Syndicate's reporting currency. The Syndicate's results are reported in US dollars and assets and liabilities are held primarily in US dollars. Therefore, there is minimal risk that fluctuations in exchange rates would have a significant effect on the Syndicates results and net assets.

Currency risk

The Syndicate transacts business principally in US dollars and has minimal exposure to other currencies.

(e) Operational risk

Operational risk is attributable to people, processes, systems and external events and is the risk these may give rise to losses in the Syndicate or wider group. This is a large risk group and the risks within it are managed widely across the business.

TUL shared IT infrastructure and support functions with Validus Re. The sale of Validus Re by AIG in November 2023 has necessitated separation, and accelerated the alignment of IT and operations with AIG. Whilst enabling greater strategic and operational alignment of TUL with AIG, it will involve future changes to information technology infrastructure, business applications and processes.

People risk is the risk that TUL fails to attract and retain an effective workforce, including failure to establish and maintain a culture that promotes TUL's values; is diverse and inclusive; facilitates employees to thrive; and deliver a competitive advantage. Management pays close attention to managing people risk, not least because of organisational change occurring at TUL as a result of the sale of Validus Re.

Operational risks are reported quarterly at the Operational Risk Committee and, if appropriate, are escalated to the Executive Committee. When risks are reported, controls are put in place to mitigate the likelihood of the risk impacting the business.

A key element of TUL's operational risk focus includes compliance with Operational Resilience regulation. TUL has well established business continuity and disaster recovery plans in place and a Continuity Steering Group providing coverage of all front and back-office teams to oversee execution of these plans and adherence with the new Operational Resilience regulations. TUL continues to actively engage with Lloyd's on Operational Resilience and is focussed on embedding the Lloyd's principals, ongoing scenario testing and third party resilience. TUL is also focussed on digitalisation initiatives including the Lloyd's Blueprint 2.0 Phase 1 adoption.

As the Syndicate underwrites a single QS treaty reinsurance, operations are also based within AIG in North America, with premiums and claims being processed into the Syndicate under a single quarterly bordereau. Information and data is received under service level agreements and a quarterly attestation process. The establishment of the PCS MGA has had no impact on the Syndicate's operations due to key processes and data continuing to be from AIG.

4 Risk management (continued)

(f) Environmental responsibilities and climate risk

TUL, as part of the AIG Group, recognises the material risk that climate change poses to its business and is committed to embedding climate change considerations within its decision making. This is demonstrated by the AIG Group's commitment to reach net zero greenhouse gas (GHG) emissions across its underwriting and investment portfolios by 2050, or sooner.

TUL has also committed to no longer providing new insurance cover for thermal coal-fired power plants, thermal coal mines, oil sands or arctic energy exploration, as well as phasing out existing insurance risks with clients that derive 30 percent or more of their revenues from these industries by 1 January 2030 or sooner. This is in line with Lloyd's commitments.

TUL has committed to reduce its own greenhouse gas emissions by reviewing energy efficiencies in its facilities, business travel, printing and procurement areas. This is aligned to AIG Group's 'Operational Pathway to Net Zero emissions' by 2050 Programme with a "Path to Net Zero Operations Working Group" established in 2022.

TUL recognises the risks posed by climate change on its business and the need for a robust risk management response. Risks associated with climate change are commonly grouped under physical risks, transitional risks and liability risks.

Physical risks

Physical risks from climate change arise from weather events (e.g. windstorms, floods and wildfires) and longer-term shifts in the environment (e.g. sea level rise, increases in average temperatures and greater variability in weather events). Climate change risk may manifest through both primary and secondary perils.

Physical climate change risks may have financial impacts, for example challenging AIG's ability to effectively underwrite, model and price catastrophe risk, particularly if there is change over time in the frequency and severity of catastrophic events. The nature of the AIG US HNW portfolio and policies in catastrophe exposed US states, exposes the Syndicate to various kinds of natural disaster, such as hurricanes, tornadoes, windstorms, hailstorms, floods, wildfires and other catastrophes. AIG proactively manages risk by providing clients with a collection of risk management services including a wildfire prevention unit and hurricane protection and outreach.

AIG continues to implement significant re-underwriting to its core product suite to reduce volatility. Strategic initiatives are in-flight, targeting reductions in wildfire, wind and flood perils as well as a shift towards the non-admitted market to provide clients with comprehensive solutions that meet their emerging risk needs. The non-admitted market offers greater pricing flexibility to ensure that premium charged is commensurate with the risk. There have been material reductions in natural catastrophe exposures and modelled catastrophe PMLs throughout 2023 as part of the underwriting actions taken on the portfolio.

Physical climate change risks may also have an operational impact, for example on individual facilities and office locations. TUL also assesses and manages these as part of its regular operations.

Transitional and Liability Risks

Transitional risks from climate change arise from the adjustment in the US to a low-carbon economy (e.g. climate-related developments in policy and regulation). Transitional risks around investment and credit risk, litigation and legal risk, reputational risk and technology risk are discussed briefly below.

- *Investment transitional risks* – The Syndicate holds investments and as efforts to move away from a carbon-intensive economy gather pace, TUL recognises the possibility that financial market participants may fundamentally reassess the value of carbon-intensive assets and the businesses that rely on them. TUL has committed to no longer investing in new thermal coal-fired power plants, thermal coal mines, oil sands or new Arctic energy exploration activities from 1 January 2022 in line with wider Lloyd's commitments. TUL is also committed to phase out existing investments with companies that derive 30 percent or more of their revenues from these industries by the end of 2025.
- *Litigation and legal transitional risks* - In recent years, the insurance industry has observed an increase in climate-related litigation. TUL will continue to monitor such litigation trends to assess the potential impact of any developments and our overall risk mitigation strategies.

4 Risk management (continued)

(f) Environmental responsibilities and climate risk (continued)

- *Reputational transitional risks* - Investors, customers, regulators and other stakeholders are placing greater scrutiny on climate related topics, and their expectations are evolving. Companies that are unable to meet stakeholders' expectations could suffer from negative publicity, reputational harm or loss of customer or investor confidence, which could adversely affect operations. Key stakeholders are also increasingly focused on other, non-climate change ESG issues. The transition to a low-carbon economy is a gradual process.
- *Technology transitional risks - Technological advancements that support the transition to a lower-carbon, energy-efficient* economic system may have a significant impact on a wide range of stakeholders. The economic transition may also materially affect the demand for insurance in specific sectors, most obviously in energy and transport. Although this may not necessarily reduce the overall demand for insurance products and services, it may alter the patterns of demand and the nature of insurance cover required, to which TUL will need to respond in order to remain competitive. The Syndicate's reinsurance of AIG includes auto coverage. AIG's ESG strategy aims to incentivise low carbon choice, including traditional auto coverage for electric vehicles.
- *Liability risks* - Liability risks may arise from parties who have suffered loss or damage from physical or transition risk factors and seek to recover losses from those they hold responsible. For example, the physical risk of flooding affecting the value of property assets can lead to increased credit risks, particularly for banks, or to underwriting risks for liability insurers, if it results in legal claims to recover financial losses from this physical damage.

(g) Corporate and social responsibilities

TUL is committed both to making lasting, positive change to the communities in which we operate and to our employees.

TUL values Diversity, Equity and Inclusion (DEI) and seeks to embed a culture of inclusion with a motivated and committed workforce, equipped with the skills required to deliver the strategy and perform at their best. TUL is committed to equitable pay and also identifies skill requirements and delivers these through training and recruitment designed to attract, develop and retain diverse talent. TUL works with a number of charities to raise funds and promote their cause, as well as supporting our communities, either by financial charitable contributions or by donating time to a range of volunteering initiatives. There are also a number of partnerships with non-profit initiatives, such as mentoring, to extend our charitable reach.

Notes to the annual accounts (continued)

5 Segmental information

All business written by the Syndicate is reinsurance. All premium written under a single contract in the UK and the domicile of the insured is the US.

6 Net operating expenses

	2023 $m	2022 $m
Brokerage and commission	210.4	169.1
Change in deferred acquisition costs	(8.3)	43.3
Administrative expenses	22.4	15.8
	224.5	228.2

An analysis of the amounts paid to the Syndicate's auditors and associates is given below.

	2023 $m	2022 $m
Fees payable to the Syndicate's auditors and their associates in respect of:		
Audit of the Syndicate annual accounts	0.3	0.3
Other services pursuant to legislation	0.3	0.3
	0.6	0.6

Other services pursuant to legislation relate to the audit and review of Lloyd's regulatory returns as well as the provision of the statement of actuarial opinion as required by Lloyd's Byelaws.

7 Employees and Directors

The Syndicate has no direct employees. The staff and key management personnel who provide services to the Syndicate are employed by various group companies, which are responsible for paying their remuneration. This includes amounts related to the services provided by the executive and non-executive directors of the managing agent. Key management personnel includes TUL Directors and the active underwriter. As disclosed in note 15, the Managing Agent charges the Syndicate a Managing Agent's fee based on gross written premium for services provided to the Syndicate. Therefore, staff costs and numbers are not separately identified. The estimated aggregate emoluments of the active underwriter are not explicitly identified within the Managing Agent's fee. The estimated aggregate emoluments charged are $0.4m (2022: $0.4m).

8 Investment income, expenses and charges

(a) Investment income

	2023 $m	2022 $m
Income from investments	19.0	9.8
Gains on the realisation of investments	3.3	0.5
	22.3	10.3

(b) Investment expenses and charges

	2023 $m	2022 $m
Losses on the realisation of investments	(7.9)	(2.7)
Investment management expenses	(0.9)	(0.5)
	(8.8)	(3.2)

9 Investments

	Cost 2023 $m	Cost 2022 $m	Market Value 2023 $m	Market Value 2022 $m
Investments at fair value				
Debt securities and other fixed income securities	591.9	726.3	586.4	700.4
Shares and other variable yield securities	140.0	53.5	139.5	52.8
Lloyd's overseas deposits	6.3	6.0	6.4	5.9
Total	738.2	785.8	732.3	759.1

	Cost 2023 $m	Cost 2022 $m	Market Value 2023 $m	Market Value 2022 $m
Investments at fair value analysis				
Government debt	316.0	287.0	316.9	283.1
Corporate debt	178.1	308.9	176.5	294.9
Short term investments - cash equivalents	134.5	48.3	134.5	48.3
Asset backed securities	-	0.2	-	0.2
Mortgage backed securities	84.3	70.0	79.6	64.6
Supranational debt	13.5	60.1	13.4	57.6
Lloyd's overseas deposits	6.3	6.0	6.4	5.9
Loan to Lloyd's Central Fund	5.5	5.3	5.0	4.5
Total	738.2	785.8	732.3	759.1

Shares and other variable yield securities include short-term highly liquid investments of $134.5m (2022: $48.3m) and loans to the Lloyd's Central Fund of $5.0m (2022: $4.5m). Short–term highly liquid investments are readily convertible to known amounts of cash with an insignificant risk of change in value, i.e. cash equivalents. A fair value adjustment has been recognised in relation to the value of the Syndicate loan to the Lloyd's central fund where fair value is considered to be below the original cost.

Lloyd's overseas deposits are lodged as a condition of conducting underwriting business in certain countries or states within countries. These funds are managed by Lloyd's Treasury Services.

Fair value estimation

The Syndicate recognises investments at their fair value in the balance sheet. The Syndicate's investments valuations are provided principally by BlackRock (Corebridge Institutional Investments (Europe) Limited prior to the fourth quarter 2022), who in turn use data from a number of sources including index providers (e.g. Barclays Capital), commercial valuation providers and broker-dealers. Lloyd's Treasury Services provides details of the sourcing of fair value classification together with details by security for the Lloyd's overseas deposits.

Under FRS 102, the Syndicate must determine the appropriate level in a fair value hierarchy for each fair value measurement. The fair value hierarchy under FRS 102 has three levels which should be used to estimate fair value:

- Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly, and
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Loans to the Lloyd's Central Fund are classified as level 3 assets.

Notes to the annual accounts (continued)

9 Investments (continued)

At 31 December, the Syndicate's investments were allocated between the Levels 1, 2 and 3 as follows:

2023	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Investments at fair value				
Debt securities and other fixed income securities	330.3	256.1	0.0	586.4
Shares and other variable yield securities	134.5	0.0	5.0	139.5
Lloyd's overseas deposits	0.0	6.4	0.0	6.4
Total	464.8	262.5	5.0	732.3

2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Investments at fair value				
Debt securities and other fixed income securities	340.6	359.8	-	700.4
Shares and other variable yield securities	48.3	-	4.5	52.8
Lloyd's overseas deposits	-	5.9	-	5.9
Total	388.9	365.7	4.5	759.1

10 Debtors arising out of reinsurance operations

All debtors arising out of reinsurance operations for both the 2023 and 2022 financial years are due within one year. There are no overdue debtors as at 31 December 2023 (2022: nil).

11 Other debtors

	2023 $m	2022 $m
Accrued interest	3.6	3.1
Investment receivables	11.1	2.7
	14.7	5.8

Accrued interest and expense refunds due are receivable within one year.

12 Statement of changes in members' balance by underwriting year of account

Year ended 31 December 2023	2020 YOA Closed $m	2021 YOA Closed $m	2022 YOA Open $m	2023 YOA Open $m	Total 2023 $m
Retained loss					
At 1 January	(126.6)	(30.8)	(75.2)	-	(232.6)
Profit / (loss) for the year	20.1	34.5	(23.7)	28.3	59.2
Cash calls from member	126.6	-	-	-	126.6
At 31 December	20.1	3.7	(98.9)	28.3	(46.8)

Notes to the annual accounts (continued)

12 Statement of changes in members' balance (continued)

Year ended 31 December 2022	2020 YOA Closed $m	2021 YOA Open $m	2022 YOA Open $m	Total 2022 $m
Retained loss				
At 1 January	(122.1)	(46.3)	-	(168.4)
Profit / (loss) for the year	(4.5)	15.5	(75.2)	(64.2)
At 31 December	(126.6)	(30.8)	(75.2)	(232.6)

13 Technical provisions

Year ended 31 December 2023	Provisions for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January	325.4	598.6
Movement	29.5	9.4
As at 31 December	354.9	608.0

Year ended 31 December 2022	Provisions for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January	400.0	515.1
Movement	(74.6)	83.5
As at 31 December	325.4	598.6

Claims development triangles

Whole account, underwriting year Gross earned ultimate claims	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
12 months	302.6	294.6	256.5	228.0	1,081.7
24 months	573.8	541.3	536.9	-	1,652.0
36 months	569.6	520.4	-	-	1,090.0
48 months	551.8	-	-	-	551.8
Total gross earned ultimate claims	551.8	520.4	536.9	228.0	1,837.1
Less paid claims	482.3	412.4	301.5	32.9	1,229.1
Gross claims liabilities	69.5	108.0	235.4	195.1	608.0

The Syndicate purchases no reinsurance and, as such, gross claims equals net claims. Some business is not off-risk after the first 12 months, therefore it would be anticipated that cumulative claims will increase in the second year as this business is earned.

14 Other creditors including taxation and social security

	2023 $m	2022 $m
Intra group loan	-	199.2
Other amounts due to group companies	3.2	1.1
Payable for investment purchase	-	45.6
Amounts owed to credit institutions	-	0.3
	3.2	246.2

The Syndicate has a loan facility in place with a group entity. At 31 December 2023, the balance of the loan is nil (2022: $199.2m).

The intra group loan is an interest bearing loan facility in place with a group entity with a maturity date of 24 April 2025. Interest was payable based on a benchmark rate (Commercial Paper rate), which may be amended from time to time by the lender to ensure it represents an arm's length rate. There are no covenants or restrictions placed on the Syndicate in relation to this loan facility.

Due to the Lloyd's change in CRTF collateral requirements, there have been releases of funds held within the CRTF, improving the Syndicate's liquidity. This enabled the syndicate to repay the ATEL loan in full during the year. Refer to note 4(c) Liquidity Risk for further details.

Other amounts owed to group companies are unsecured, interest free, have no fixed date of payment and are payable on demand.

15 Related parties

Parent companies

The immediate parent Company of Talbot Underwriting Ltd (TUL) is Talbot Underwriting Holdings Ltd, a Company registered in England and Wales.

The ultimate parent and controlling party of Talbot is American International Group, Inc (AIG). The registered office of which is 1271 Avenue of the Americas, New York, NY 10020, United States of America. AIG is listed on the New York Stock Exchange.

On 1 November 2023, AIG (the ultimate parent and controlling party of TUL) completed the sale of Validus Re (the intermediate parent company of TUL) which included the renewal rights of the Syndicate's Treaty reinsurance business to Renaissance Re. AIG retains control of TUL. AIG received total consideration of $3,300.0m in cash, including a pre-closing dividend, and approximately $275.0m in Renaissance Re common shares. Following the sale, the TUL group continues to provide transitional services to Validus Re.

Directors' interests

J Hancock and T Bolt hold, and held in the year, senior management positions and executive directorships within the AIG group of companies.

AIG proportional quota share reinsurance contract

The Syndicate reinsured a single quota share contract for the 2020, 2021, 2022 and 2023 underwriting years. This quota share contract is with AIG group entities and was brokered and priced on an arm's length basis.

Intra group loan

The Syndicate has a loan facility in place with a group entity. At 31 December 2023, the balance of the loan is nil (2022: $199.2m). The loan facility has a limit of $300m and a maturity date of 24 April 2025.

Corporate member

PCG 2019 Corporate Member Ltd (PCGCM), an AIG Company, has the following participation by underwriting year 2020: 97.2%, 2021: 82.5%, 2022: 82.5% and 2023: 100%.

Notes to the annual accounts (continued)

15 Related parties (continued)

Managing agent

During the year, the Syndicate has been charged an annual fee by TUL, the Managing Agent of the Syndicate, amounting to $7.5m (2022: $5.9m). The outstanding net balance due to TUL at the year end was $3.2m (2022: $1.0m).

16 Capital

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, license and ratings objectives. Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements applies at an overall member level. Accordingly the capital requirement in respect of Syndicate 2019 is not disclosed in these financial statements.

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Solvency Capital Requirement for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR to ultimate). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements.

The SCR of the Syndicate is subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Uplift (ECU). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2023 was 35.0% (2022: 35.0%) of the members' SCR to ultimate. The members' SCR to ultimate plus the uplift is known as Economic Capital Assessment (ECA).

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a Syndicate (Funds in Syndicate, not applicable for Syndicate 2019) and/or as the members' share of the Solvency II members' balances on each Syndicate on which it participates.

An additional level of security is the Central Fund to which all Syndicates contribute, based on their premium income, for every year of account. Claims may be paid out of the Central Fund once approved by the Council of Lloyd's if a Syndicate's members' capital resources cannot cover all claims.

Talbot Underwriting Ltd Syndicate 2019

Underwriting Year Accounts for the 2021 Year of Account

31 December 2023

Underwriting Year - Report of the directors of the managing agent

The Directors of the Managing Agent present their report at 31 December 2023.

The report comprises the cumulative result to 31 December 2023 for the closed 2021 underwriting year of account (year of account).

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by the Insurance Accounts Directives (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

The reinsurance to close for the 2021 underwriting year was approved by the Board of Directors on 23 February 2024.

Refer to the Report of the Directors of the Managing Agent within the Annual Report and Accounts for the year ended 31 December 2023 for a review of the business and future developments.

Principal activity

The Syndicate underwrote a single 57.8% proportional quota share reinsurance contract covering High Net Worth (HNW) personal lines insurance business underwritten by American International Group, Inc (AIG) companies. The quota share contract provides coverage for AIG HNW policies incepting from 1 January each year.

2021 closed year of account

The Syndicate made a 2021 and prior year of account closing profit of $23.8m on allocated capacity of $620.4m (profit on capacity 3.8%) after operating expenses, Lloyd's expenses, foreign exchange and investment income. The profit attributable to the pure 2021 year of account was $3.7m (0.6% return on capacity) and the profit attributable to the 2020 year of account business reinsured into the 2021 year of account was $20.1m (3.2% profit on capacity).

The 2021 pure year gross written premium of $821.1m represents an 87.9% stamp utilisation (net of acquisition costs) when measured using the Lloyd's planning rate of £1 = $1.24. The Syndicate's 2021 pure year underwriting profit was $3.2m (combined ratio 99.6%), inclusive of adverse to expectation catastrophe claims. The pure 2021 net claims ratio of 63.4% has been impacted by heightened US catastrophe experience relative to the historical average, with a catastrophe claims ratio of 17.8%. In particular, Hurricane Ian, US Winter Storm Uri and Hurricane Ida have materially impacted the ratio.

The 2020 year of account has produced a net profit of $20.1m, inclusive of favourable claims development during the 2023 calendar year of $17.8m.

The 2021 and prior year of account closing profit includes an investment profit of $5.3m. The key driver of the return is the performance of the investment portfolio in the 2023 calendar year.

The portfolio was protected by a reinsurance programme comprising excess of loss, quota share and facultative covers, which is applied before premium is ceded to the Syndicate. The Syndicate purchases no reinsurance and, as such, gross premiums and claims equal net premiums and claims, respectively.

Directors

The Directors of the Managing Agent are disclosed in the Syndicate 2019 Annual Report and Accounts.

Disclosure of information to auditors

The Directors of the Managing Agent who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

The current Syndicate auditors, PricewaterhouseCoopers LLP, will be reappointed.

Annual General Meeting

Subject to the consent of Lloyd's, it is not intended to hold a Syndicate Annual General Meeting in 2024.

Underwriting Year – Statement of managing Agent's responsibilities

The Directors of the Managing Agent are responsible for preparing the Managing Agent's report and the Syndicate underwriting year accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure.

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:

* Select suitable accounting policies and then apply them consistently; and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the Syndicate affected. In particular the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members' and reinsured members' are members of the same Syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
* Take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
* Make judgements and estimates that are reasonable and prudent; and
* State whether applicable accounting standards, have been followed, subject to any material departures disclosed and explained in underwriting years accounts.

The Managing Agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board

RD Cowling, Chief Financial Officer
27 February 2024

Independent auditors' report to the members of Syndicate 2019 – 2021 closed year of account

Report on the audit of the syndicate underwriting year financial statements

Opinion

In our opinion, Syndicate 2019's syndicate underwriting year financial statements for the 2021 year of account for the 36 months ended 31 December 2023 (the "underwriting year financial statements"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit for the 2021 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the Underwriting Year Accounts for the 2021 year of account (the "Underwriting Year Accounts"), which comprise: the balance sheet as at 31 December 2023; the profit and loss account: technical account - general business and the profit and loss account: non-technical account for the 36 months then ended; and the notes to the underwriting year financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the underwriting year 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 syndicate in accordance with the ethical requirements that are relevant to our audit of the underwriting year financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. In particular, as these underwriting year financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year financial statements. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the *Use of this report* paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

Reporting on other information

The other information comprises all of the information in the Underwriting Year Accounts other than the underwriting year financial statements and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the underwriting year 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 underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the underwriting year 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 underwriting year financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Syndicate 2019 – 2021 closed year of account (continued)

Responsibilities for the underwriting year financial statements and the audit

Responsibilities of the Managing Agent for the underwriting year financial statements

As explained more fully in the Underwriting Year - Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2021 closed year of account. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the underwriting year financial statements

Our objectives are to obtain reasonable assurance about whether the underwriting year 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 underwriting year financial statements.

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

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition and management override of controls, including the potential for management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with the Board, management, the compliance function and the Internal Audit Group of the Managing Agent, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud;
- Assessment of matters reported on the Managing Agent's whistleblowing helpline relevant to the syndicate and the results of investigations of such matters;
- Reviewing relevant meeting minutes, including those of the Board, Reserve Committee, Risk and Compliance Committee and Audit Committee of the Managing Agent, and correspondence with regulatory authorities, including the Council of Lloyd's, the Prudential Regulation Authority, and the Financial Conduct Authority;
- Testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the valuation of the reinsurance to close premium payable;
- Identification and testing of journal entries identified as potential indicators of fraud, post close journals, those with unusual account combinations, duplicate journals and reversals posted within the same period, or journals posted by employees who have left the entity; and
- Designing audit procedures to incorporate unpredictability around the nature, timing, and extent of testing.

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

Independent auditors' report to the members of Syndicate 2019 – 2021 closed year of account (continued)

A further description of our responsibilities for the audit of the underwriting year 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 syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- the underwriting year financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2024

Profit and loss account: technical account – general business

2021 year for the 36 months ended 31 December 2023

	Note	2021 year of account $m
Syndicate Allocated Capacity		620.4
Gross premiums written	3	821.1
Outwards reinsurance premiums		-
Net premiums written		821.1
Earned premiums, net of reinsurance		821.1
Reinsurance to close premium receivable	9	125.4
Allocated investment return, transferred from the non-technical account		5.3
Claims incurred, net of reinsurance		
Gross claims paid		(450.5)
Reinsurers' share of claims paid		-
Claims paid, net of reinsurance		(450.5)
Reinsurance to close premium payable	10	(177.5)
Claims incurred, net of reinsurance		(628.0)
Net operating expenses	5	(301.0)
Balance on the technical account for general business	12	22.8

Profit and loss account: non-technical account

2021 year for the 36 months ended 31 December 2023

	Note	2021 year of account $m
Balance on the technical account for general business	12	22.8
Investment income	4(a)	15.9
Unrealised gains on investments		10.2
Investment expenses and charges	4(b)	(5.2)
Unrealised losses on investments		(15.6)
		5.3
Allocated investment return transferred to/from the technical account		(5.3)
Gains on exchange		1.0
Profit for the 2021 closed year of account		23.8

There was no other comprehensive income or expense during the accounting period.

The notes on pages 46 to 49 form an integral part of these underwriting year accounts

Balance Sheet
2021 account at 31 December 2023

	Note	2021 year of account $m
Assets		
Investments	6	234.5
		234.5
Debtors		
Other debtors	7	3.2
		3.2
Other assets		
Cash at bank and in hand		-
Lloyd's overseas deposits		-
Prepayments and accrued income		1.4
		1.4
Total assets		239.1
Liabilities		
Capital and reserves		
Members' balance		23.8
Reinsurance to close premium payable	10	177.5
Creditors		
Other creditors including taxation and social security	8	37.8
		37.8
Other Liabilities		
Accrued expenses		-
		-
Total Liabilities		239.1

The notes on pages 46 to 49 form an integral part of these underwriting year accounts.

The financial statements on pages 43 to 49 were approved by the Board of Directors on 23 February 2024 and signed on its behalf by:

RD Cowling, Chief Financial Officer
27 February 2024

Notes to the underwriting year accounts

1 Basis of preparation

The accounts of Syndicate 2019 have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), Insurance Contracts standard (FRS 103), Regulation 6 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture.

These accounts relate to the 2021 year of account which has been closed by reinsurance to close as at 31 December 2023. Consequently, the balance sheet represents the assets and liabilities of the 2021 year of account at the date of closure. These accounts cover the three years from the date of inception of the 2021 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

Effective at each year-end 31 December, the reinsurance to close process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account, full disclosures relating to these risks are provided in the Syndicate 2019 Annual Report and Accounts.

2 Accounting policies

The accounting policies adopted are the same as those disclosed in the Syndicate 2019 Annual Report and Accounts with the exception of the below.

(a) Insurance

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

i. Premiums written

Gross premium is allocated to year of account based on the inception date of a single quota share contract incepting on 1 January. Premiums are shown gross of acquisition costs and include estimated amounts of premium due but not yet received or notified.

ii. Claims paid

Gross claims paid are allocated to the same year of account as the original premium for the underlying policy.

iii. Reinsurance to close premium payable

The reinsurance to close premium is determined by reference to outstanding liabilities, including claims incurred but not reported (IBNR), relating to the closed year and to all previous closed years reinsured therein. Although the estimate of outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined.

(b) Investment return

Investment returns arising in a calendar year are apportioned to years of account in proportion to the average funds available on each year of account. Investment returns arising on overseas deposits are allocated to the year of account that funded the deposit.

(c) Operating expenses

Syndicate operating expenses are allocated to the year of account for which they are incurred. Where expenses incurred in a financial year do not relate to any specific year of account they are apportioned between years of account based the volume of business transacted. Ceding commission is charged to the year of account to which the relevant policy is allocated.

(d) Taxation

Under Schedule 19 of the Finance Act 1993, Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate on behalf of members during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by members on underwriting results.

3 Segmental information

All business written by the Syndicate is reinsurance. All premium written is for a single contract in the UK and the domicile of the insured is the US.

4 Investment Income, expenses and charges

(a) Investment income

	$m
Income from investments	14.3
Gains on the realisation of investments	1.6
Total	15.9

(b) Investment expenses and charges

	$m
Losses on the realisation of investments	(4.8)
Investment management expenses	(0.4)
Total	(5.2)

5 Net operating expenses

	$m
Brokerage and commission	275.9
Administrative expenses	25.1
Total	301.0

An analysis of the amounts paid to the Syndicate's auditors and associates is given below.

	$m
Fees payable to the Syndicate's auditors and their associates in respect of:	
Audit of the Syndicate underwriting year accounts	0.1
Other fees pursuant to legislation	-
Total	0.1

Notes to the underwriting year accounts (continued)

6 Investments

	Cost $m	Market Value $m
Debt securities and other fixed income securities	227.6	225.5
Shares and other variable yield securities	6.5	6.0
Lloyd's overseas deposits	3.0	3.0
Total	237.1	234.5

7 Other debtors

	$m
Investment receivables	3.2
Total	3.2

Other debtors are receivable within one year.

8 Other creditors including taxation and social security

	$m
Inter year loan	37.2
Amounts owed to credit institutions	0.6
Total	37.8

9 Reinsurance to close premium received

2020 year of account closure at 31 December 2022	$m
Provision for reported claims	55.0
Provision for IBNR	70.4
Reinsurance to close premium received	125.4

10 Reinsurance to close premium payable

2021 year of account closure at 31 December 2023	$m
Provision for reported claims	85.5
Provision for IBNR	92.0
Reinsurance to close premium payable	177.5

Notes to the underwriting year accounts (continued)

11 Financial assets and liabilities

The assets and liabilities of the closing year of the Syndicate are financial assets and liabilities. The Directors consider the carrying value of the financial assets and liabilities to be equal to their fair value.

12 Balance on the technical account

	2021 year of account $m
Technical account balance excluding investment return and operating expenses:	
Attributable to the 2021 pure year of account	24.8
Attributable to the 2020 year of account	17.8
	42.8
Allocated investment return transferred to/from the technical account	5.3
Net operating expense other than acquisition costs	(25.1)
Balance on the technical account for general business	22.8

13 Related parties

Parent companies

The immediate parent Company of Talbot Underwriting Ltd (TUL) is Talbot Underwriting Holdings Ltd, a Company registered in England and Wales.

The ultimate parent and controlling party of Talbot is American International Group, Inc (AIG). The registered office of which is 1271 Avenue of the Americas, New York, NY 10020, United States of America. AIG is listed on the New York Stock Exchange.

On 1 November 2023, AIG (the ultimate parent and controlling party of TUL) completed the sale of Validus Re (the intermediate parent company of TUL). AIG retains control of TUL. AIG received total consideration of $3,300.0m in cash, including a pre-closing dividend, and approximately $275.0m in Renaissance Re common shares.

Directors' interests

J Hancock and T Bolt hold, and held in the year, senior management positions and executive directorships within the AIG group of companies.

AIG proportional quota share reinsurance contract

The Syndicate reinsured a single quota share contract for the 2021 year of account. This quota share contract is with AIG group entities and was brokered and priced on an arm's length basis.

Corporate member

PCG 2019 Corporate Member Ltd (PCGCM), an AIG company, has a 82.5% participation on the 2021 underwriting year.

Managing agent

During the period, the Syndicate has been charged an annual fee by TUL, the Managing Agent of the Syndicate, amounting to $8.2m.

Intra group loan

The Syndicate has a loan facility with an AIG Group entity, AIG Transaction Execution Limited. The total loan facility is for $300m at the balance sheet date and remains undrawn following the repayment of the loan in August 2023. The loan remains available and the Syndicate retains the ability to draw down on the facility if required until the maturity date of 24 April 2025.

Two-year summary of closed year results (unaudited)

At 31 December 2023

Year of account	2021	2020
Syndicate allocated capacity - £m	500.4	450.0
Syndicate allocated capacity - $m	620.4	571.5
Capacity utilised	87.9%	81.1%
Number of underwriting members	5	2
Net premiums net of brokerage - $m	545.2	463.4
Return on stamp	3.8%	(22.2%)

	2021	2020
Results for an illustrative share of £10,000 ($12,433)	$	$
Gross premiums	10,896	10,297
Net premiums	10,896	10,297
Net claims paid	(9,004)	(9,871)
Reinsurance to close	(1,041)	(2,787)
Syndicate operating expenses	(204)	(122)
Personal expenses	(297)	(188)
Balance on technical account before investment return	350	(2,671)
Gain / (loss) on exchange	20	(32)
Investment return	106	(110)
Profit / (loss)	476	(2,813)

Notes:

1. The two year summary has been prepared from the audited accounts of the Syndicate
2. Personal expenses have been stated at the amount which would be incurred pro-rata by members writing the illustrative premium income in the Syndicate, irrespective of any minimum charge applicable. Personal expenses include managing agent fees, central fund contributions and Lloyd’s subscriptions.
3. Capacity utilised represents gross premiums as a percentage of allocated capacity. For this calculation, gross premiums are net of brokerage.
4. Gross and net premium amounts shown above are net of brokerage.