



**American International Group UK Limited
Annual Report and Financial Statements
For the period ended 31 December 2023**

Company Registration Number: 10737370

Contents

Company Introduction	3
Directors and Officers	4
Strategic Report	5
<i>Business Review</i>	6
<i>Risk Management</i>	9
<i>Non-Financial and Sustainability Information Statement</i>	12
<i>Corporate Governance</i>	19
<i>Section 172 Responsibilities</i>	21
<i>Management of Accounting Policies and Significant Areas of Focus</i>	26
Directors' Report	28
Independent Auditors' Report	31
Statement of Comprehensive Income	40
Balance Sheet	42
Statement of Changes in Equity	44
Notes to the Financial Statements	45

Company Introduction

American International Group, Inc. (AIG) is a leading global insurance organisation. AIG member companies provide insurance solutions that help businesses and individuals in approximately 70 countries and jurisdictions protect their assets and manage risks. For additional information, visit www.aig.com. AIG common stock is listed on the New York Stock Exchange.

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Directors and Officers

Board of Directors

A Baldwin	appointed 24 April 2017	
P Tromp	appointed 27 October 2017	resigned 20 November 2023
D Smith	appointed 1 January 2020	
P Shaw	appointed 1 June 2020	
J Hancock	appointed 14 December 2020	
J Warrack	appointed 6 April 2022	
A Thomas	appointed 24 August 2022	resigned 6 March 2023
N Kapoor	appointed 6 March 2023	

Secretary

K Hillery

Company Registration Number

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

Registered Office

The AIG Building
58 Fenchurch Street
London EC3M 4AB

Registered Auditors

Mazars LLP
Chartered Accountants and Statutory Auditors
30 Old Bailey
London EC4M 7AU

Independent Auditors

The company has, by elective resolution, reappointed Mazars LLP on 6 March 2023 as external auditors, including the review and approval for the annual financial statements relating to the 2023 year end. The intention is to reappoint Mazars as auditors for the 2024 year end.

Principal Bankers

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

Investment Manager

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

Strategic Report

Principal Activity

American International Group UK Limited (the "Company") is a private company incorporated in the United Kingdom and registered in England and Wales and is limited by shares. The Company's immediate and ultimate parents are AIG Holdings Europe Limited and American International Group, Inc. ("AIG") respectively.

The Company is a multiple line general insurance company writing substantially all lines of property and casualty insurance. The Company consists of three divisions: American International Group UK Limited ("AIGUK"), American International Group Ireland Branch and Lexington.

Business Model

The Company is a general insurance company, major lines of insurance written include commercial and personal insurance. AIGUK utilises its invested assets to provide a return and cover the insurance liabilities on its insurance contracts. We serve our customers and partners by delivering innovative and segmented products and value propositions, providing a leading employee experience and delivering sustained top quartile returns for AIG Group. AIGUK is dedicated to making a positive impact in the communities where we work, live and serve our customers. We make financial contributions to organisations across the globe, working with many charitable partnerships to support programmes that help create a more secure and safe future.

Strategic Goals

The vision for AIGUK is to be the leading specialist insurer in the UK marketplace. Our ability to succeed will be built on the strength of our specialist product and underwriting offering, our leading Multinational and Claims capabilities, and an ability to trade flexibly across open market, portfolio, and digital platforms. Delivery of this vision is only achievable by acting with integrity and protecting the AIG brand, retaining and developing a team of diverse employees, and delivering good customer outcomes.

Despite a strong performance in 2023, we continue to face adverse geopolitical and economic market forces and a highly competitive London market, which we expect to continue into 2024. To meet these challenges, the UK strategic priorities are aligned to reflect this dynamic environment. These are listed below.

- Grow AIG's core specialist platforms
- Accelerate retail growth in middle market, SME and digital segments
- Expand distribution and grow portfolio solutions
- Maximize UK franchise value and Talbot collaboration
- Embed Standard Commercial Underwriting Platform ("SCUP") to deliver continuous operational efficiency
- Modernise data rating and analytics

Business Review

The Company reported another strong year of premium growth and underwriting resilience in 2023 supporting our view of continued improvements towards the vision to become the leading specialist insurer in the UK market. Despite much geopolitical and economic turmoil and an uncertain risk landscape the business demonstrated further growth and momentum in increasingly specialised and profitable lines of business. We are committed to drive further growth and efficiencies within the business and to improve profitability to ensure we continue to bring value to our partnerships and provide good customer outcomes through our services and interactions.

The Company has generated a profit on ordinary activities before tax of £184.1 million (2022: £231.4 million). The full results of the Company are on pages 40 and 41. The Total Comprehensive Income for the year of £182.3 million (2022: loss of £47.7 million) has been transferred to equity. As at 31 December 2023, total equity of the Company shown on page 43 totalled £1,839.0 million (2022: £1,853.0 million).

	2023 £'m	2022 £'m
Gross Premium Written	£3,222.1	£2,840.8
Net Premiums Written	£1,383.0	£1,285.6
Underwriting Result	£74.6	£158.5
Profit Before Tax	£184.1	£231.4
Net Loss Ratio	72.3%	62.8%
Combined Ratio	94.7%	88.1%

The results for the period are for the 13 months from 1 December 2022 to 31 December 2023 against the comparative period of 12 months to 30 November 2022.

In addition to the change in accounting period, the increase in gross premium written reflects higher premiums driven by our Risk Management programmes. However, there was also underlying business growth reflected in net premiums written across several product lines, most notably in Property, Casualty and Specialty. The overall trend demonstrates our focus on profitable growth through underlying retention levels, rate and new business.

The loss ratio and underwriting result were impacted by unfavourable prior year development related to older accident years (2019 and prior), particularly from long-tail lines, partially offset by improved profitability on the current accident year. Additionally, an increase in investment income compared to prior year is reflected in profit before tax for the year. This resulted in a total dividend paid to the parent company of £200 million (2022: £nil) demonstrating the underlying value and long-term strength of the Company. The closing equity position of £1,839.0 million shows continued capital strength and ensures the Company meets all regulatory capital requirements and has a surplus over Solvency Capital Requirement (SCR) ratio of 186.5%.

There have been no known events occurring after 31 December 2023 which would have had an impact on the above results, further details can be found in the Directors Report on page 28 and Note 29 on page 96.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Non-Financial Key Performance Indicators

Non-financial measures are used to assess the Company's performance against ongoing employee and responsibility objectives. Refer to the Corporate Governance note on page 19 which includes Section 172 responsibilities.

Area of focus	Indicator	Performance
Inclusion – engage our employees and managers in Employee Resource Groups (ERGs)	<ul style="list-style-type: none"> • Number of ERGs • Participation 	<ul style="list-style-type: none"> • Eight groups. • 40% of employees and 46% of managers are a member of at least one ERG.
Community – volunteering Programme	<ul style="list-style-type: none"> • Paid work time for employees to volunteer with charities and schools 	<ul style="list-style-type: none"> • Allowance of 16 hours per calendar year. • 5,300 hours were donated by 540 employees during 2023 to support communities – an increase of over 200% against the prior year. • More than 70 charitable organisations and schools were supported. • Over 35 events arranged by the Company.
Employees – developing diverse talent	<ul style="list-style-type: none"> • Talent programmes/placement opportunities 	<ul style="list-style-type: none"> • Accelerated Leadership Development programme's 4th cohort commenced. Good promotion rates among previous year graduates. • Insurance Returners programme 2022/23 concluded with 2 permanent appointments.

Uncertainties

1. Following the Russian invasion of Ukraine on 24 February 2022, the Company has continuously assessed and monitored the potential impacts and the potential exposures to its business and any potential overall impact to financial performance due to the resulting economic and political developments. The Company does not hold any material reserves related to policyholder claims arising from the Russian invasion of Ukraine and is not involved in any material litigation regarding claims arising from the Russian invasion of Ukraine.

The Company has potential exposures to policyholder claims in various lines of business, predominantly in Aviation and Credit, and continues to monitor these potential exposures though we have not observed any adverse experience during 2023. There is a high degree of uncertainty in relation to the value of these potential exposures. AIGUK does not hold any investments directly in Russia or Ukraine.

2. Inflation is a key area of judgement and uncertainty within the reserving analysis, particularly considering the current, higher than the average long-run, economic inflationary environment.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

AIGUK underwrites both property and liability lines. Since the majority of the book is the long-tailed Casualty and Financial Lines, AIGUK could have significant exposure to inflation risk especially during the periods of severe or prolonged inflation.

Inflation is primarily a risk to liability business, where claims with long settlement periods are exposed to substantial inflationary risk between loss occurrence and loss settlement. The long tail in some liability lines is also caused by latent claims. The examples of latent claims include medical latent claims due to occupational diseases such as those from asbestos, environment impairment liability claims etc. For such claims, the nominal values of the claims can change substantially between the time of underwriting the policies and the manifestation and filing of the claims. In addition, indexed annuity style claims such as those of Periodic Payment Orders (PPOs) are also impacted by rising inflation and, in particular, persistent inflation. The type of inflation is key to how PPOs are impacted (medical inflation / carers cost). Further information on inflation can be found in Note 3.1.

Change in reporting period

In order to align the financial reporting period of the Company with that of its ultimate parent undertaking, AIGUK has changed its financial reporting date in the current reporting period to 31 December 2023. These financial statements present the Company's financial position and financial performance for the 13-month period from 1 December 2022 to 31 December 2023. Therefore, the comparative amounts presented in these financial statements (including the related notes) are not directly comparable.

Future Outlook/Business Environment

The economic outlook for 2024 remains challenging. AIGUK's business model continues to demonstrate strength and resilience. We believe our established multi-channel footprint and broad product offering, as well as our experience and commitment to continuous improvement, positions our business for future growth.

Risk Management

Principal Risks and Uncertainties

The Company faces a number of principal risks and uncertainties, with the process of risk acceptance and risk management addressed through the established risk management framework of policies, procedures, and internal controls. All policies are subject to Board approval and ongoing review by the management, the Risk Committee, and Internal Audit. Compliance with regulations, legal and ethical standards is a high priority for the Company.

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

Stress testing programmes, as well as periodical risk reporting assessments, enable senior management to take the appropriate decisions required to manage the Company as a risk-aware business.

The business-planning process ensures that the Company has a sustainable strategy that is aligned to AIG's global objectives, as well as monitoring of the Company's performance against its budget and strategic objectives. AIGUK's Enterprise Risk Management team actively supports this process through conducting risk assessments of the business-planning process, monitoring identified risks from these assessments, and conducting scenario analysis and stress testing on the Company's budget.

AIGUK uses the "Three Lines of Defence" model for risk management:

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

A summary of the main risk categories faced by the Company, and risk mitigation techniques to identify, assess, evaluate, and mitigate these risks are outlined as follows:

- Insurance Risk
- Operational Risk
- Climate Change Risk (this is discussed within the Non-Financial and Sustainability Information Statement).

Insurance Risk

AIGUK currently considers the principal risk to the Company to be insurance risk (reserving risk), in particular adverse reserve development.

Insurance Risk includes fluctuations in the timing, frequency, and severity of insured events relative to the expectations at the time of underwriting and fluctuations in the timing and amount of claim settlements and reserves. The key risks to the Company include reserve shortfalls or distortions through failing to set sufficient case reserves, inappropriate pricing of products resulting in financial losses or reduced profit, and increased likelihood of disproportionate Natural Catastrophe or Man-made Catastrophe losses for specific perils if insured risks are overly focused on a specific geographical area or type of policy cover.

Adverse Reserve Development: The Company seeks to manage this through monitoring adherence to established policies and procedures governing its claims reserving practices. In addition, the Company's Actuarial Team conducts quarterly reserve reviews of the Company's overall book to determine appropriate reserve levels and quarterly reviews of the Company's expected incurred but not reported ("IBNR") adequacy. The Company utilises an internal validation process of its reserves to provide an independent review of their adequacy and these are also subject to a thorough review during the external audit.

In 2021 AIGUK purchased an Adverse Development Cover ("ADC") from National Union Fire Insurance Company ("NUFIC"), which is part of the AIG Group. For 2023, this contract was commuted and rewritten with the cover extended to include accident years 2021 and prior. The attachment remained at £300m but the limit of cover was increased to £950m. The contract ceded premium is earned over a four-year period.

Failure of Pricing, Product or Strategy: The Company seeks to manage this risk through the setting and review of pricing guidelines relevant to each business line and the application of a strict hierarchy of pre-binding rules and underwriting authorities to ensure that policies are underwritten with management oversight. In addition, annual processes and controls are in place over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to launch.

The Product Development Forum plays a key role in ensuring that product development controls and processes are adhered to. Large and unusual transactions are referred to the Large and Unusual Transactions (LUT) group, which convenes to consider transactions that meet or exceed set trigger levels in relation to the Risk Profile before the Company becomes committed. The Company also mitigates exposures to pricing risk through the purchase of reinsurance. The Company regularly runs exposure concentration analyses as part of general portfolio modelling and any results feed into our selection of concentration zones for LUT, and non-modelled risk evaluations.

Failure to Manage Natural or Man-Made Catastrophe Risk Aggregation/Accumulation: The Company seeks to manage this risk through the use of pre-bind rules and authorities to manage significant within-line and cross-line exposures, as well as Realistic Disaster Scenario runs to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business. In addition, large and unusual transactions that may have a material impact on risk aggregation exposures for an individual line of business are referred to the LUT for further consideration.

Operational Risk

Operational risk: the risk of loss arising from inadequate or failed internal processes, personnel, or systems, or from external events.

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

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

ORM reviews all risk events reported and communicates management actions for significant events to all relevant governance forums and committees. Risk identification is further supported by the execution of Risk and Control Self-Assessments across the Company.

ORM conducts an independent validation of the operational risk component of the internal model and completes a comprehensive review and refresh of key scenarios and the library of key Operational Risks.

Reputational Risk (Including Group Reputational Risk) is managed through a suite of corporate policies to control AIGUK's exposure to scenarios that could damage the AIG brand or AIGUK's immediate reputation as a company, as well as subjecting activities that carry material reputational risk to additional levels of governance and oversight.

Key policies include the AIG Global Anti-Corruption Policy and accompanying Global Anti-Corruption Standards and Due Diligence Procedures for Third Parties, issued by AIG's Corporate Compliance Group, and approved by senior management. The AIG Gifts and Entertainment procedure for AIGUK adds to the range of policies that mitigate bribery and corruption risk and all AIG employees complete periodic anti-corruption training.

Non-Financial and Sustainability Information Statement

This section of the strategic report has been produced to comply with sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental and social matters including climate related disclosures.	<ul style="list-style-type: none"> • AIG Environmental Social Governance Report (ESG) Framework • Volunteering • Section 414CB 	Section 172 Responsibility – page 21 Climate reporting section – page 13
Employees	<ul style="list-style-type: none"> • Code of Conduct • Diversity, Equity and Inclusion (DEI) Framework • Responsibility to employees 	Section 172 Responsibility – page 21
Respect for human rights	<ul style="list-style-type: none"> • Modern Slavery and Human Trafficking Statement 	Modern Slavery and Human Trafficking – page 25
Anticorruption and anti-bribery	<ul style="list-style-type: none"> • Global Anti-Corruption Policy and accompanying standards • Due Diligence Procedures for Third Parties • The AIG Gifts and Entertainment procedure. corruption risk and all AIG employees complete periodic anti-corruption training 	Reputational Risk Section – page 11
Additional disclosure		Principal Risks and Uncertainties – page 9 Non-Financial KPI's – page 7 Business Model – page 5

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Climate Reporting

For the period ended 31 December 2023, our climate-related financial disclosures are reported against Companies Act 2006 section 414CB (2A) and are closely aligned to the Task Force on Climate-Related Disclosures (TCFD) framework. The disclosures are adapted from the AIG Group 2022 ESG Report.

The table below provides a summary to the relevant section on our climate report where they align with section 414CB and TCFD guidance.:

S414CB THEME	TCFD THEME	RECOMMENDED DISCLOSURES
(a) Description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities	Governance (a) Describe the board's oversight of climate-related risks and opportunities. (b) Describe management's role in assessing and managing climate-related risks and opportunities.	See the Governance section on pg.14
(b) Description of how the company identifies, assesses, and manages climate-related risks and opportunities	Risk Management (a) Describe the organisation's processes for identifying and assessing climate-related risks. (b) Describe the organisation's processes for managing climate-related risks.	See the Governance and Management of Climate-Related Risks sections on pg.14 and pg.15 respectively.
(c) Description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process	Risk Management (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	See the Governance and Management of Climate-Related Risks sections on pg.14 and pg.15 respectively.
(d) Description of— (i) the principal climate-related risks and opportunities arising in connection with the company's operations, and (ii) the time periods by reference to which those risks and opportunities are assessed	Strategy (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	See the Types of Climate Risk, Climate Related Opportunities and Management of Climate-Related Risks sections between pg. 14-16.
(e) Description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy	Strategy (b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	See the Types of Climate Risk, Climate Related Opportunities and Management of Climate-Related Risks sections between pg. 14-16.
(f) An analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios	Strategy (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	See the Management of Climate-Related Risks and Climate Scenario Modelling sections pg. 15 and pg. 16 respectively
(g) Description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets	Metrics and Target (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	See the Metrics and Targets and GHG Footprint section on pg.16-18.
(h) Description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.	Metrics and Target (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	See the Metrics and Targets and GHG Footprint section on pg.16-18.

Climate Change Risk

AIGUK recognises the scientific consensus that climate change is a reality of increasing global concern and potentially poses serious financial implications for AIGUK. AIG considers the potential impacts, such as natural catastrophe, operational, business continuity, regulatory, investment, credit, litigation and legal, and technology risks, from climate-related issues on our business, strategy, and financial planning over short, medium, and long-term time horizons. In the short to medium term, our underwriting and investment activities create potential legal and regulatory risks due to increased focus on ESG-related litigation and regulatory action.

In the medium to long term, chronic physical risks such as shifting temperatures, precipitation levels, droughts and sea water levels could impact our underwriting and operational exposures to climate change. Additionally, in the short-medium and long-term actions that governments, regulators and society may take to transition toward low or net zero carbon economies may impact us (for example, the introduction of new policies and the adoption of new technologies). Climate change presents significant financial implications for AIG in areas such as underwriting, claims and investments, as well as risk capacity, financial reserving and operations.

Governance

The Company has adopted the AIG Group's approach towards ESG matters. AIG's Executive Vice President, General Counsel and Vice President, Chief Sustainability Officer are responsible for leading the development and implementation of AIG's company-wide sustainability strategy.

To drive integration and advancement of sustainability initiatives across the Company, cross-functional teams and working groups have been established across business lines and geographies. The Chief Sustainability Officer is responsible for driving cooperation and alignment among these groups, with an ultimate goal of operationalising the work and developing a consistent approach.

For AIGUK, the Prudential Regulation Authority ("PRA") expects to see evidence that there is a Senior Management Function (SMF) role that provides effective oversight of risk management and controls and also expects the board to ensure that adequate resources are devoted to managing the financial risks from climate change. The Chief Risk Officer was appointed to the SMF role by the AIGUK Board in 2021. The SMF provides effective oversight of risk management and controls and also expects the board to ensure that adequate resources are devoted to managing the financial risks from climate change.

Our ERM function coordinates the risk management activities across the enterprise and provides senior management and AIG's Board with a consolidated view of AIG's key risks. ERM supports our climate-related risk management and wider ESG activities by identifying current and emerging risks, monitoring external business and regulatory developments, designing stress scenarios and monitoring the potential for risk aggregation and risk accumulation across underwriting, investments and our own operations.

AIG Group's ESG strategy is set out in AIG's 2022 ESG Report which is available at www.aig.com.

Types of Climate Risk

We consider the potential impact from climate-related issues on our business, strategy and financial planning over short, medium and long-term time horizons. We consider both direct physical impacts and indirect effects that may emerge through transition risks, particularly those driven by new legal and regulatory requirements as well as those from evolving investor, client and broker expectations.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Climate change has three distinct yet highly interrelated mechanisms that create risk for AIG:

- Physical Risks - both direct and indirect impacts from event-driven (acute) or longer-term (chronic) shifts in climate patterns. Climate change contributes to an increase in the frequency and severity of natural disasters and the creation of uncertainty as to future trends and exposures.
- Transition Risks - transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change.
- Liability Risks may arise from people or businesses seeking compensation for losses they may have suffered from physical or transition risks. This may be due to policy and technological changes, as well as from third parties who seek to influence policy or recover losses from others whom they believe are responsible by means of failure to mitigate, adapt and/or disclose.

Principal climate-related risks and opportunities

We present the risk categories that we are actively monitoring:

- Natural Catastrophe Risk
- Operational Risk and Business Continuity Risk
- Regulatory Risk
- Investment and Credit Risk
- Litigation and Legal Risk
- Reputational Risk
- Technology Risk

Climate Related Opportunities

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

Management of Climate Related Risks

AIGUK assumes climate risks through its normal course of business, including a range of insurance, investment, and other financial services activities. As such, AIGUK is committed to managing climate change risk through integration into its existing risk management and governance framework. The Company has produced its fourth annual Climate Risk Plan, which sets out how AIGUK will continue to meet regulatory expectations in respect of managing each of these risks. The actions included form a commitment from functions and lines of business across the company and responsibility for implementing and embedding these actions will remain with the relevant business units.

Our Risk Appetite Framework integrates stakeholder interests, strategic business goals and available financial resources. We balance these by seeking to take measured risks that are expected to generate repeatable, sustainable earnings and create long-term value for our shareholders. The framework includes our Risk Appetite Statement, approved by the Board of Directors, and a set of supporting tools, including risk tolerances, risk limits and policies, which we use to manage our risk profile and financial resources.

AIGUK integrates climate risk into its annual Own Risk and Solvency Assessment (ORSA) summary reports submitted to our insurance regulators. Business functions are increasingly integrating climate risk into their activities, and business leads are considering how to address climate risk challenges in their strategic plans and track climate-related activities across the year. AIGUK's Climate Plan, which is made available to the PRA, sets out how AIGUK will continue to meet regulatory expectations in

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

respect of managing climate-related financial risk, and describes the activities for AIGUK's Underwriting and Investment functions required to embed these expectations across the business. Our internal product development, underwriting and modelling will continue to adapt to and evolve with the developing risk exposures attributed to climate change.

Climate Scenario Modelling

AIG takes a common approach to climate risk management across our organization, including identifying and monitoring climate risks through top-down, bottom-up approaches, risk profiling and/or exposure analysis to climate-relevant sectors.

In the UK, AIG has completed climate stress tests as prescribed by the local regulatory authority (PRA). These exercises considered the physical, transition and liability risks for various climate-related scenarios. Physical scenarios align with the IPCC Representative Concentration Pathways. Transition scenarios align with the Network for Greening the Financial System in the transition to net zero.

Stress Test	Scenario Description	Type of Risk
2019 GI Stress Test	<ul style="list-style-type: none"> • Sudden Transition • Long-Term Orderly Transition • No Additional Policy Action 	Transition & Physical
2021 Climate Biennial Exploratory Scenario	<ul style="list-style-type: none"> • Early Policy Action • Late Policy Action • No Additional Policy Action 	Transition, Physical & Liability

AIG is in the process of developing a global climate scenario incorporating the risk exposure of our global entities. The global climate scenario will help us consider the transition, physical and liability risks for three climate-related stress scenarios, including an orderly transition, disorderly transition and hot house world scenario. AIG intends to develop management actions in response to the stress test results, as appropriate.

Metrics and Targets

Net Zero Commitments

The AIG Group has committed to reach Net Zero GHG emissions across its underwriting and investments portfolios by 2050, or sooner:

- Committed to reach Net Zero GHG emissions across its underwriting and investments portfolios by 2050, or sooner.
- Reaffirmed last year's operational Net Zero commitment by 2050, or sooner.
- Committed to 100 percent Renewable Energy for AIG's operations by 2030, or sooner.
- Committed to using science-based emissions reduction targets, aligning with the latest climate science to meet the goals of the Paris Agreement.
- With immediate effect, committed to no longer invest in or provide insurance for construction of any new coal-fired power plants, thermal coal mines or oil sands.
- With immediate effect, committed to no longer invest in or underwrite new operation insurance risks of coal-fired power plants, thermal coal mines or oil sands for those clients that derive 30 percent or more of their revenues from these industries, or generate more than 30 percent of their energy production from coal.
- Committed to phasing out the underwriting of all existing operation insurance risks and ceasing new investments in those clients that derive 30 percent or more of their revenues from coal-fired power, thermal coal mines or oil sands, or generate more than 30 percent of their energy production from coal by Jan. 1, 2030, or sooner; and
- With immediate effect, committed to not investing in or providing insurance cover for any new Arctic energy exploration activities.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

The risks identified above in the "Types of Climate Risk" section, link to our net zero commitments, for example no longer investing in or providing insurance for construction of any new coal-fired power plants, thermal coal mines or oil sands which mitigates the underwriting/ reserving and investment risks identified above. Our overall global carbon footprint related reporting below highlights the entity's scope 1, 2 and 3 emissions against our aligned financial reporting metrics i.e., full time employees ("FTE") and net premiums written.

Green House Gas Footprint

The Company is committed to reducing its global carbon footprint. We have demonstrated this commitment by increasing the efficiencies of internal company operations and physical assets under the company's control and reducing energy usage. Examples of this include continuous update to our offices, including the use of high efficiency lighting, sustainably manufactured products, and energy efficient mechanical infrastructure installation of water saving washroom facilities and computer server technologies.

This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

This is the first year AIG have reported on the scope category of refrigerants and waste, therefore an increase in Scope 1 and scope 3 emissions is expected.

The AIG Building at 58 Fenchurch Street, London contains some retail units. One of these tenants moved out and returned ownership to AIG on 13 October 2022, meaning AIG is now responsible for this unit's consumption. Another occupied units' electricity consumption is included in AIG's reported usage until June 2023. This causes some of AIG's scope 3 emissions to be captured in their scope 2 boundary. From July 2023, a new utility management system was implemented, allowing for a more granular view of usage, and correct allocation of emissions moving forward. At sites where AIG is a tenant (Birmingham, Brighton, Manchester, and Glasgow), electricity and water data is landlord apportioned based on AIG's floor area. Therefore, AIG's reported consumption is affected by other tenant's energy usage that is not necessarily attributed to AIG's own energy consumption. This may impact Scope 2 and 3 trends.

AIG reports all material GHG emissions using 'tonnes of CO2 equivalent' ('tCO2e') as the unit of measurement and reports energy use in kWh. During the 13-month reporting period of 01 December 2022 to 31 December 2023, AIG's measured Scope 1 and 2 emissions (location-based) totalled 894 tCO2e.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

This comprised:

Greenhouse Gas Emissions Source	FY 2022	FY 2023
Scope 1 - Fuel combustion in vehicles & buildings (tCO _{2e})	397	334
Scope 1 – Fugitive emissions (Refrigerants)	N/A	61
Scope 2 – (Location-based) - Electricity (tCO _{2e})	735	499
Scope 2 – (Market-based) - Electricity (tCO _{2e})	155	37
Scope 3 - Business travel (tCO _{2e})	2,061	2,266
Scope 3 – Waste generated in Operations	N/A	1
Scope 3 - Indirect emissions from water (tCO _{2e})	3	8
Scope 3 - Fuel and energy-related activities (tCO _{2e}) ¹	364	119
Total Scope 1 & 2 (Location-Based)	1,132	894
Total Scope 1 & 2 (Market-Based)	552	433
Total Scope 3	2,429	2,395
tCO_{2e} per net premiums written (Scope 1 & 2 Location-Based)	0.88	0.65
tCO_{2e} per net premiums written (Scope 1 & 2 Market-Based)	0.43	0.31
tCO_{2e} per FTE (Scope 1 & 2 Location-Based)	0.96	0.45
tCO_{2e} per FTE (Scope 1 & 2 Market-Based)	0.47	0.22

Note: (1) includes WTT emissions from fuels and electricity transmission and distribution losses

We have used two intensity metrics: FTE and value of net premiums written to align with our financial reporting. There has been an increase in average staff on site, with a total average headcount of 1,976 in 2023 compared to 1,173 in 2022.

Overall, our Scope 1 and 2 emissions (location based) totalled 894tCO_{2e}, and they have decreased by 21% since last year. This was most likely due to large decrease in gas consumption at Birmingham and a decrease in electricity at Brighton, Glasgow, Birmingham and Fenchurch.

Our measured Scope 3 emissions totalled 2,395 tCO_{2e}, with 2,266 tCO_{2e} from business travel. This shows an overall 1% decrease, which is most likely due to the fact that while all other Scope 3 categories have increased, FERA (Fuel and Energy Related Activities) has seen a decrease, which directly links to the reduction of Scope 1 and Scope 2 energy emissions.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

During the year, our total natural gas, fuels and electricity consumption totalled 4,196,883 kWh. The split between natural gas, fuels and electricity consumption is displayed below.

Energy consumption (kWh)	FY 2022	FY 2023
Electricity	3,799,572	2,408,722
Natural gas	1,883,722	1,601,902
Diesel	76,946	5,033
Petrol		181,226
Total energy use	5,760,240	4,196,883

Energy efficiency measures and activities

- Replacement of 10th & 13th floor fluorescent fittings with LED & new lighting control system in London.
- Installation of new boilers in our Croydon office.
- Upgrade of chillers - new control panels & overhaul, Adaptive Frequency Drives on main compressors, and primary Chilled Water pumps in London.

Corporate Governance

During 2023, our corporate governance structure and system of governance remained stable. There were no material changes to the framework which remains fit for purpose in delivering the strategic aims of the Company while providing a mechanism for the Board, and the non-executive directors to oversee and challenge the executive management team.

Effective for the period ended 31 December 2023, the Company has continued to follow the Wates Corporate Governance Principles for Large Private Companies ('the Principles'). The structure also continues to comply with the relevant regulatory and legal requirements.

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

1. PURPOSE AND LEADERSHIP

AIGUK is part of the AIG Group, and the Company operates to deliver local strategies that sit within the overall aims of the AIG Group. As per the Corporate Governance Report, the Board sets strategies and agrees the business plan for the Company and regularly monitors progress towards the Company's strategic goals and business objectives. The Board considers the impact of this strategy on each key stakeholder group, as outlined in detail in the Section 172 statement.

2. BOARD COMPOSITION

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

The Board consists of both executive and non-executive directors, with a majority of non-executive directors. The duties of the Board are executed partially through Board Committees, as outlined in the Corporate Governance Report. All Board Committees are chaired by an independent non-executive director (other than the Executive Committee which is chaired by the CEO). The independent directors sit on the Audit Committee, the Reserves & Underwriting Committee, the Board Risk Committee and the Remuneration Committee which enables them to challenge and oversee a broad range of areas and topics across AIGUK.

The Board possesses a broad range of experience and has a mix of diversity, skills and experience that enhances and deepens the overall competence of the Board.

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

3. DIRECTOR RESPONSIBILITIES

A statement of directors' responsibilities with regard to financial statements under company law is found in the Directors' Report. In addition to these responsibilities, the Board maintains Terms of Reference outlining the duties of the Board; a fundamental duty being to set the strategic aims and risk appetite of the Company. The Board and its Committees meet at least quarterly and core standing items on the agenda include Strategy & Business Reviews; Business Performance metrics; Investments Performance and Capital Adequacy; Actuarial & Reserving; Risk; Audit; Legal Compliance and Human Resources.

The Board delegates authority for day-to-day management to the Chief Executive Officer (CEO), who chairs the Executive Committee ("ExCo"). The ExCo meets quarterly and supports the CEO in execution of the Board-set strategy and is attended by various senior business and functional leads, and the key functions.

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

These include:

- **Audit Committee** – to provide independent and objective assurance and oversight of the effectiveness of the systems of internal controls (financial, operational, compliance and risk management), including those systems and controls reviewed by Internal Audit.
- **Board Risk Committee** – to challenge, oversee and monitor the management of risks within the Company to ensure they are being managed within the risk governance requirements and risk appetite approved by the Board.
- **Reserves and Underwriting Committee** – to ensure that the Company maintains reasonable and adequate technical reserves and provides oversight and challenge of underwriting governance.
- **Remuneration Committee** (at least twice per year) – to ensure appropriateness of the AIG Compensation Philosophy and its application to the Company.

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

4. OPPORTUNITY AND RISK

A statement of principal risks and uncertainties is provided in the Strategic Report. The Board Risk Committee monitors the Company risk management framework and receives a quarterly report on management risks and emerging risks. In order to promote the long-term sustainability of the Company, strategic opportunities are reviewed by the Board.

5. REMUNERATION

As per the Corporate Governance section, the Remuneration Committee ensures that remuneration policies are consistent with sound risk management and do not expose the company to excessive risk. The Remuneration Committee is responsible for ensuring that the remuneration policy of the Company complies with Solvency II and other applicable regulations.

6. STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

As per the Section 172 Statement, the Company has identified a range of key stakeholders, each of whom is integral to the long-term objectives of the Company. The Section 172 Statement outlines in detail how the Board ensures effective engagement with each of these stakeholders and how this engagement contributes to the delivery of the long-term objectives of the Company.

Section 172 Responsibilities

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

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

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

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

For the 2023 reporting period, the Board is satisfied that it has effectively engaged with and paid due regard to the interests of key stakeholders. The Board has set out below our community of stakeholders and how each are engaged. The Board will continue to review and challenge how AIGUK can continuously improve engagement with key stakeholders.

1. CUSTOMERS

AIGUK is committed to delivering good outcomes for its customers by treating them fairly and putting them at the centre of everything it does. AIGUK's approach, while underpinned by regulatory drivers, seeks to create a culture that delivers good outcomes for its customers and promotes a strong conduct risk culture across the organisation. AIGUK's Consumer Duty framework is aligned to the FCA Principles.

During 2023 the Board oversaw the implementation of the new Consumer Duty rules promulgated by the FCA, and supported the continued embedding of the customer conduct initiatives. The Board continued to take account of the conduct risks inherent in the UK business model and strategy and ensured they were identified, mitigated, and monitored. Through management reporting, the Board provides oversight of conduct risk across the business and its adherence to the Consumer Duty rules. The Executive Committee continues to review conduct risk management through oversight of business planning and the customer strategy.

2. EMPLOYEES

We are committed to maintaining a skilled and engaged workforce driving a culture of alignment, accountability, and action. Our primary aim therefore is to implement a People strategy that not only aligns to the business strategy to ensure we have the right people, in the right place, but strives to make the Company an attractive, engaging and rewarding inclusive workplace, that will create a best-in-class employee experience. Staff are kept abreast and informed of progress on our People strategy through frequent staff briefings and the cascade of information through the leadership team and the AIG intranet site. The importance of employee health and wellbeing remained a top priority in 2023.

To enhance our competitive position in the global marketplace and represent the clients we serve, the Company is committed to attracting, developing and retaining a diverse workforce and creating a culture of inclusion and belonging. We accomplish this by empowering our management to lead a diverse workforce, enhancing the education and awareness of our employees and building an inclusive, respectful and productive workplace. AIGUK is committed to its Diversity, Equity & Inclusion (DEI) framework "BeingYou@AIG", continuing to strive towards being the employer of choice for diverse talent across all levels of the organisation.

During 2023, we increased our focus on providing better DEI insight for leaders to ensure they have greater awareness to make decisions that improve the diversity of our company. In 2021 we signed up to the Business In The Community ("BITC") Race at Work Charter as part of our commitment to further racial equity in the workplace and during 2023 our working group has been progressing key initiatives to increase diverse applications, progress and retain diverse talent and look at ways to increase inclusion. Internally we continued our regular BeingYou@AIG series of communications and events focused on highlighting different DEI issues and motivating personal action. We started rolling out Conscious Inclusion training in 2021 and continued in 2022 and 2023 and upskilled over 70% of managers. We also continued to roll out mandatory People training to line managers.

Talent Management

We have an active Talent Management Framework which seeks to identify talent both internally and externally and retain its current talent through a programme of training and development courses.

We continued to partner with *Bright Network* and started working with *10,000 Black Interns* to identify a more diverse pool of candidates for our early careers opportunities. As part of the *Race at Work Charter* working group, we are currently exploring new partnerships to attract more diverse experienced hires. Following a successful pilot, we continued taking part in the *Insurance Returners* programme. We annually review our succession planning and talent review processes and training

and have committed to ensuring development opportunities are provided to diverse talent on an equitable basis. We also continued to focus on developing diverse talent through our underrepresented talent programmes. These include the Women's Executive Leadership and Accelerated Leadership Development programmes that are helping to develop current leaders and create the pipeline of future female and underrepresented leaders. We also endeavour to develop external partnerships and sponsorships where we are driving forward to ensure we benchmark our success against the best and contribute towards increasing diversity and inclusion in the wider insurance industry. We recently took part in the Employers Network for Equality and Inclusion TIDE benchmark and received a high score resulting in a Bronze Award.

Employee Resource Groups

AIGUK currently has eight Employee Resource Groups (ERGs) that embody the value that inclusion brings to the business. During 2023, our ERGs ran a combination of virtual sessions and in-person sessions to engage, support and raise awareness, including events from small groups to large speaker sessions. In the current year, our ERGs [placeholder for narrative on activities etc.].

Disability

We are committed to being an Equal Opportunities employer and creating an environment which embraces differences and fosters inclusion. We welcome applications by prospective employees with a disability and ensure that no job applicant suffers discrimination because of their disability. We aim to ensure that a role description accurately reflects the duties and responsibilities of the job, and that specifications only include relevant selection criteria which are job related. Suitability for employment is measured against the stated requirements of the job and no aspect of a person's disability is used to assess how well an applicant will integrate with the workforce.

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

Employee Engagement

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

3. SUPPLIERS

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

During 2023, AIGUK continued to improve its third-party management framework through the use of new tools and the data captured through those tools.

4. BROKERS AND INTERMEDIARIES

Our aim is to engage actively and regularly with key broker partners and other intermediaries to deliver profitable growth aligned to the objectives contained within our strategy and business plans. The Company communicates clearly and transparently, providing prompt and reliable services and ensuring customer needs are well understood. Regular engagement drives our continuous improvement.

The key tenets of our Broker engagement are:

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

Throughout 2023 we maintained high levels of engagement with our broking partners and customers reflective of the increased risks and opportunities presented by the developing market and economic conditions.

5. REGULATORS

For AIGUK, the Prudential Regulation Authority (PRA) is the lead prudential supervisor and the Financial Conduct Authority has oversight of AIG's insurance operations for consumer protection and competition matters.

The CEO, senior management and the Board follow and engage with the regulatory agenda, supported by AIGUK's Regulatory Affairs team. Regulatory priorities for the General Insurance sector are outlined in the PRA and FCA's annual business plans, Dear CEO letters, supervisory statements and other regulatory communications, along with specific supervisory priorities for AIGUK outlined in the PRA's annual Periodic Summary Meeting letter to the firm.

6. SHAREHOLDER

We engage regularly with our shareholder through frequent and open dialogue on strategy and business planning, financial performance, and critical staff appointments. We consider it vital to the success of the Company to have open two-way communication paying regard to the strategic direction and purpose of the AIG Group and its long-term aspirations to deliver sustainable, profitable growth to its shareholder. We continue to maintain appropriate information flows and dialogue through the discussions at Board level with input from Jon Hancock, CEO International Insurance, who provides the Board with the view from the Group at its quarterly meetings and a regular dialogue with Anthony Baldwin, AIGUK's CEO, the Board Chair and other senior AIGUK executives.

7. COMMUNITY AND THE ENVIRONMENT

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

developing new skills and opportunities to expand networks. AIG's Global Volunteer Month in April 2023 provided an opportunity for employees to come together and dedicate time to volunteer.

Modern Slavery and Human Trafficking

We are committed to ensuring that no practices of modern slavery (MS) or human trafficking take place within AIGUK or any of its subsidiaries, whether directly or within our supply chain. We also review the practices and procedures in place on a regular basis in order to ensure consistency with best practice.

A statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 (the Act) and constitutes AIGUK's MS and human trafficking statement for the financial period ended 31 December 2023. In accordance with the Act, this statement is made on an annual basis and published on AIGUK's website.

AIGUK procures various products and services necessary to operate its business on an outsourced basis through third parties in various sectors. We are committed to ensuring that there is no MS or human trafficking in our own business nor in our supply chain and we expect third parties in our supply chain to adhere to these values. At a Group level, AIG's Global Supplier Code of Conduct (which also applies to AIGUK and each of its subsidiaries) requires our suppliers to take steps to ensure that no form of MS exists within their supply chains or business organisations.

We also continue to systematically amend our supply agreements as they are replaced or renewed to include obligations concerning adherence to the requirements of the Act. In addition, all new supply agreements include such provisions (as well as compliance with applicable laws generally) as part of AIGUK's standard contracts. These contractual provisions require suppliers to confirm, on an ongoing basis, that they do not have any MS or human trafficking in their respective businesses or supply chains, and thus support and bolster AIGUK's pre-contractual supplier due diligence.

As at the date of this statement, we have not identified evidence of or received any disclosure from third party suppliers in relation to MS or human trafficking in our supply chains. However, we intend to continue to monitor our supply chains closely and examine any risks as and when they are identified. In order to facilitate this, during the course of 2023, we supplemented and enhanced our onboarding due diligence processes for new and renewing suppliers. Under the new process, third party suppliers are required to respond to a range of enquiries specifically tailored towards assessing and combatting MS risk within our supply chain. If any risks are identified, even further enquiries are raised with the third-party supplier and, with the assistance of AIGUK's legal team, the business takes a view as to whether or not to onboard or renew the supplier, as the case may be.

AIGUK conducts pre-employment screening checks and offers standard working hours for all employees. In addition, each of our employees receives a salary which exceeds the National Living Wage and we offer training to managers to prevent bullying and harassment in the workplace. Furthermore, we have systems and policies in place to protect whistle-blowers. This statement is made available to all of our staff members and included within our joining materials for our new employees. In addition, during the course of 2023, AIGUK rolled out training on MS and human trafficking to all relevant employees as part of our compulsory internal training programme. This training was developed in conjunction with a specialist e-learning provider and rolled out to employees who are directly involved in third-party vendor procurement activities in the UK. Going forward, all relevant employees will be required to refresh their knowledge on MS and human trafficking by ensuring that such employees complete the training on a bi-annual basis.

Environmental Objectives

We recognise our duty of care with respect to the environment and consequently will maintain, as far as is reasonably practicable, to undertake its activities in such a way as to minimise any impact to the environment, whilst conducting our business. In support of our corporate social responsibility, we have committed to a series of net zero targets which are discussed in the Climate Change Risk section on page 14.

Management of Accounting Policies and Significant Areas of Focus

Accounting Policies

The Company actively manages and reviews its accounting policies to prepare its financial statements in accordance with Company law. The adopted accounting policies can be found in Note 2 on page 45.

Principal Areas of Management Focus

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

Loss Reserves

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

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

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

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

We also note the following specific areas of reserve uncertainty for the Company:

- Financial Lines: This is a key area of uncertainty given the current macro environment, and increased market and regulatory scrutiny;
- Liabilities: Legal changes such as the Personal Injury Discount Rate, Ministry of Justice reforms, PPO claims (i.e. propensity/emergence, mortality, ASHE index), abuse and disease claims
- General volatility in respect of specific large claims
- Claims experience is subject to natural catastrophes across the world given the global exposure of risks underwritten by the Company. The frequency and severity of such events have a high degree of uncertainty associated with them; and
- There is a higher level of uncertainty for the more recent accident years given their early stage in development.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Since our prior reserve review, inflation remains high, although the level of inflation is reducing. Economists still produce a range of future inflation estimates, however general consensus suggests that inflation may have peaked. However it is uncertain whether inflation will return to prior long-run levels of inflation. Additionally, it remains unclear how the current high level of inflation will impact the cost of claims. As part of the reserves review process our analysis has studied economic inflation, specific line of business considerations and social inflation drivers. Following this analysis, we have allowed for the increased uncertainty on both a reserving and pricing basis.

Valuation of Investments

The majority of the Company's financial investments are carried at fair value. The fair value of a financial instrument is the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly arm's length transaction between willing and knowledgeable market participants at the measurement date. This policy applies to all available for sale debt instruments. Loans receivable amounts are reported at amortised cost in accordance with IAS 39 (opted for under the choice given under FRS 102). Further details can be found in Note 6.

Revenue Recognition

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

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

Further detail can be found in Note 2.3.

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

On behalf of the Board



Mr. Naval Kapoor
Chief Financial Officer
03 April 2024

Directors' Report

The Directors present the annual report and financial statements of American International Group UK Limited ("the Company") for the period ended 31 December 2023. The Company was incorporated on 24 April 2017.

Directors and Officers

The names of the Directors and officers of the Company are set out on page 4.

Strategic Report

The Strategic Report, which includes details on the Company principal activities, business review, position and future developments, performance and KPIs, risk management framework, corporate governance structure and Section 172 Statement, is set out on pages 5 to 27.

Dividends

A dividend of £100m was approved by the Board on 6 March 2023 and paid to AIG Holdings Europe Limited ("AHEL") on 7 March 2023. A further dividend of £100m was approved on 21 November 2023 and paid on 27 November 2023 to AHEL (2022: £nil).

Directors Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The AIG Group purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Going Concern

The Directors have considered all available information, both quantitative and qualitative, which includes, but not limited to, a review of the Company's current and projected future: performance, solvency position, liquidity, capital maintenance funding, potential risks and uncertainties.

There have been no material uncertainties identified in relation to any events, conditions or the significant judgements exercised during the going concern assessment. As a consequence, the Directors are confident that the Company is well placed to manage its business risks and has adequate financial resources to continue in operational existence for a period of at least twelve months from the date these financial statements are signed. Accordingly, the Company continues to prepare its financial statements on a going concern basis.

Events after the Reporting Year

For known events occurring after 31 December 2023, details can be found in the Strategic Report on page 8 and Note 29 on page 96.

Future Developments

Likely future developments in the business are discussed in the Strategic Report.

Financial Risk Management

Further information can be found in Note 4.2 on page 64.

Environmental Responsibilities

The Company recognises its duty of care with respect to the environment. The Company's greenhouse gas emissions, energy consumption and details of the energy efficiency actions taken by the Company are discussed above in the Non-Financial and Sustainability Information Statement within the Strategic Report on page 12.

Corporate Governance Arrangements

Details of Corporate Governance Arrangements are detailed on page 19.

Engagement with Others

Further information can be found in the Strategic Report under Section 172 Responsibilities on page 21. The Directors are responsible for the welfare of disabled persons and this is outlined in the Section 172 Statement on page 23.

Internal Audit

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

The purpose of these evaluations and tests is to:

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

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

Maintaining Audit Independence

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

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

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

Statement of Directors Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' Confirmations

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

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

On behalf of the Board



Mr. Naval Kapoor
Chief Financial Officer
03 April 2024

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

Opinion

We have audited the financial statements of American International Group UK Limited (the 'company') for the thirteen-month period ended 31 December 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the thirteen-month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the process relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their future performance forecasts, as described in note 2, by assessing the directors' consideration of severe but plausible downside scenarios and considering the existence of contradictory evidence in relation to key assumptions;

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Considering the directors' assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been derived from the company's Own Risk and Solvency Assessment;
- Conducting a retrospective review of the historical forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusion on going concern; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern

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

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

Key audit matters

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

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p>Valuation of gross claims outstanding, specifically, claims incurred but not reported (IBNR) reserves and related reinsurance recoveries on claims IBNR</p> <p>Gross claims IBNR - £3.48 billion (2022 - £3.02 billion); Recoverable from reinsurers on claims IBNR - £1.40 billion (2022 - £1.05 billion)</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Met with the Company's actuarial team involved in the reserving process to discuss the reserving methodology, management controls on the relevant models, changes in assumptions from the previous year-end, and questions arising from review of internal reserving reports. • Evaluated the design and implementation of controls around valuation of IBNR.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Refer to Note 3.1 "Critical Accounting Estimates and Judgements – Liability for unpaid claims and loss adjustment expenses", Note 2.3.6 "Claims Provisions and Related Reinsurance Recoveries", Note 18 "Reinsurers Share of Technical Provisions" and Note 22 "Technical Provisions"

As part of the company's overall gross claims outstanding, the IBNR account represents the largest liability for the company. As such, the true and fair presentation of the company's financial position and operating results depends, to a significant degree, on the reasonableness of IBNR.

The valuation of gross claims outstanding, specifically IBNR, is highly judgemental, and involves the use of a variety of actuarial estimation techniques and assumptions (specifically claims inflation, expected development patterns and expected loss ratios) that have high estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Small movements in those assumptions can have a material effect on valuation of IBNR. We therefore identified the valuation of gross claims IBNR and related recoverable from reinsurers on claims IBNR as a significant risk and a key audit matter.

With the support of our own actuarial specialists, we have:

- Performed independent projections on selected classes of business, covering those classes that have the highest estimation uncertainty based on Q1 2023 data and compared the results with the reserves recorded by the company both at a class and aggregate level.
- Challenged actuarial methodologies and compared them against recognised actuarial practices.
- Challenged assumptions used in the valuation of IBNR for classes with high estimation uncertainty, but which are less material. This included performing a combination of benchmarking the company's assumptions against those used in the market for similar lines of business, conducting diagnostic tests to assess whether the method used align with development patterns and loss ratios suggested by the data and recalculating the company's estimates to ensure computational accuracy.
- Analysed movements in ultimate losses and actual vs. expected analyses for the remaining classes of business.
- Performed independent projections, methodology and assumptions review, and movements analysis on actuarial reserves arising from the Lexington business.
- For classes which are independently projected at the interim period, we updated our testing as at 31 December 2023 ('period-end') by evaluating management's process of updating the actuarial reserves (including the level of rigor applied in updating management's assumptions through to period-end) and challenged management's period-end estimates by analysing actuarial experience versus expectations and updating our period-end best estimate and alternative estimate range of actuarial reserves.
- Analysed the historical net to gross reinsurance claims ratios and the in-force reinsurance arrangements to evaluate the net of reinsurance IBNR for classes independently projected and where we have reviewed their methodology and assumptions.

We performed the procedures above over the valuation of IBNR and related recoverables from reinsurers, without control reliance, as the nature of the account balance is such that we

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

	<p>would expect to obtain sufficient audit evidence through substantive procedures alone.</p> <p>Our observations</p> <p>Based on our procedures, we found the valuation of gross claims IBNR and related recoverable from reinsurers on claims IBNR to be reasonable.</p>
<p>Risk of inappropriate revenue recognition (including mandatory fraud risk)</p> <p>Valuation of accrued pipeline premiums - £193.3 million (2022 - £193.3 million) <i>Refer to Note 3.2 "Critical Accounting Estimates and Judgements – Pipeline premiums and associated loss reserve" and Note 2.3.2 "Revenue Recognition – Gross Premiums Written"</i></p> <p>The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.</p> <p>For the Company, the risk of fraud in the recognition of premiums primarily relates to the estimation of accrued pipeline premiums. Pipeline premiums exist where the Company makes an estimate of premiums written during the year that have not yet been notified by the financial year end based on prior year experience and current year business volumes. The company uses an actuarial technique in the calculation of accrued pipeline premiums which involve the use of significant judgements specifically in the selection of expected development patterns and earning patterns, resulting in a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. We therefore identified the valuation of accrued pipeline premiums as a significant risk and a key audit matter.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process of calculating accrued pipeline premiums. • Evaluated the design and implementation of controls around the valuation of accrued pipeline premiums. • Performed look back procedures to validate the accuracy of the company's previous estimates, by analysing actuals to estimates, and investigating any significant variances. • With the assistance of our own actuarial specialists, we evaluated the judgements made in the calculation of pipeline premiums. • Recalculated the amount of accrued pipeline premiums as at period-end. <p>We performed the procedures above over the valuation of pipeline premiums, without control reliance, as the nature of the account balance is such that we would expect to obtain sufficient audit evidence through substantive procedures alone.</p> <p>Our observations</p> <p>Based on these procedures, we found that the valuation of accrued pipeline premiums to be reasonable.</p>

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Our application of materiality and an overview of the scope of our audit

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

Overall materiality	£32.1 million (2022: £28.4 million)
How we determined it	1% of gross written premium (2022: 1% of gross written premium)
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant, and concluded that gross written premium was the most relevant benchmark. Gross written premium is a key measure used by shareholders in assessing the performance of the company and provides a consistent and stable basis on which to determine materiality.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £24.1 million (2022: £21.3 million), which represents 75% (2022: 75%) of overall materiality. The primary factors we consider in determining the level of performance materiality include our understanding of the company's control environment, the level and nature of errors detected in our previous audits and our expectation of the number of errors in the current year audit.
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.6 million (2022: £1.4 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, its environment, controls, and critical business processes, to consider

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Based on the outputs of our risk assessment, we identified that the company is comprised mainly of the company's UK operations and its Lexington division. Given its significance due to its overall size, we performed a full-scope audit of the company's UK operations. For the company's Lexington division, we identified certain account balances which were considered to be significant in size or audit risk at the financial statement line item level in relation to the company and therefore performed audit procedures over those specific line items.

The Company utilises certain operational shared service centres managed centrally by its ultimate parent company in the US. This includes shared services such as investment management, and performance of certain financial control activities to support the production of the company's financial information including IT functionality and controls. Specified audit procedures were performed by a US-based shared-service organisation auditor over these shared service centres in accordance with our instructions.

We determined the level of involvement we needed as the company's auditor in the audit work of the shared-service organisation auditors to be able to conclude whether sufficient and appropriate audit evidence was obtained to provide a basis for our opinion on the financial statements as a whole. We maintained regular and timely communication with the shared-service organization auditors, including discussions, phone calls and written instructions, and reviewed their work, where appropriate.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: non-compliance with the Prudential Regulation Authority's ("PRA") and Financial Conduct Authority's ("FCA") regulations.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- At the planning stage of our audit, gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA, the FCA and HMRC;
- Reviewing minutes of directors' meetings in the period; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006, UK tax legislation and pension legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to valuation of claims IBNR, revenue recognition (which we pinpointed to the valuation of accrued pipeline premiums and premiums with non-standard earning patterns) and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Critically assessing accounting estimates impacting amounts included in the financial statements for evidence of management bias;
- Considering significant transactions outside of the normal course of business. Our approach included management inquiry, review of the Board minutes, review of correspondences with regulators and analytical review to identify significant movements on transactions and balances and substantively testing the transaction and related disclosure, where applicable;
- Reviewing a risk-based selection of journals based on what we considered as high-risk criteria and testing these against supporting documentations and obtaining management explanations;
- Understanding the rationale for and testing new related party transactions and balances; and
- Incorporating unpredictability in performing substantive procedures through the selection of other lower value transactions covering policies and or claims not previously examined. We applied these procedures to claims paid/outstanding, premiums and general operating expenses.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 11 May 2021 to audit the financial statements for the year ended 30 November 2021 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 November 2021 to the thirteen-month period ending 31 December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Lionel Cazali (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
Date: 03 April 2024

Statement of Comprehensive Income

For the period ended 31 December 2023

Technical Account

	Notes	13 month period ended 31 December 2023 £'m	Year ended 30 November 2022 £'m
Technical Account - General Business			
Gross premiums written	8	3,222.1	2,840.8
Outward reinsurance premiums		(1,839.1)	(1,555.2)
Net premiums written		1,383.0	1,285.6
Change in the gross provision for unearned premiums	22.7	(45.0)	(57.2)
Change in the provision for unearned premiums - reinsurers' share	22.7	45.1	106.0
Earned premiums - net of reinsurance		1,383.1	1,334.4
Allocated investment return transferred from the non-technical account	10.2	117.2	76.8
Claims paid - gross	22.2	(1,584.5)	(1,571.4)
Claims paid - reinsurers' share	22.2	761.3	839.4
Change in the provision for claims - gross	22.2	(843.2)	(284.1)
Change in the provision for claims - reinsurers' share	22.2	666.1	177.6
Claims Incurred - net of reinsurance		(1,000.3)	(838.5)
Acquisition costs	9.1	(474.9)	(459.0)
Change in deferred acquisition costs	9.2	(9.0)	(28.6)
Administrative expenses	9.3	(148.4)	(148.9)
Reinsurance commissions	9.4	318.5	294.5
Net operating expenses		(313.8)	(342.0)
Balance on technical account for general business		186.2	230.7

Statement of Comprehensive Income (continued)

For the period ended 31 December 2023

Non-Technical Account

	Notes	13 month period ended 31 December 2023 £'m	Year ended 30 November 2022 £'m
Non-Technical Account			
Balance on the technical account for general business		186.2	230.7
Income from other investments	10.1	160.0	109.8
Losses on the realisation of investments		(23.8)	(10.5)
Investment Income		136.2	99.3
Investment expenses and charges	10.2	(19.0)	(22.5)
Allocated investment return transferred to the general business technical account	10.2	(117.2)	(76.8)
Other (expenses)/income	11	(2.1)	0.7
Profit on ordinary activities before tax		184.1	231.4
Tax on profit on ordinary activities	12	(41.0)	(47.8)
Profit on ordinary activities after tax		143.1	183.6
Profit for the financial year		143.1	183.6

Statement of Other Comprehensive Income

Unrealised gains/(losses) on investments		154.3	(448.9)
Currency translation differences		(66.9)	122.7
Actuarial (losses) on defined benefit pension schemes		(5.4)	(8.1)
Other comprehensive expenses		(6.1)	(6.0)
Taxation in respect of items of other comprehensive (expenses)/income	12.3	(36.7)	109.0
Other comprehensive income/(loss) for the year		39.2	(231.3)
Total comprehensive income/(loss) for the year		182.3	(47.7)

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

The notes on pages 45 to 96 form an integral part of these Financial Statements.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Balance Sheet

As at 31 December 2023

	Notes	31 December 2023 £'m	30 November 2022 £'m
Assets			
Intangible Assets	14	12.8	10.4
Investments			
Property and Equipment	15	90.8	96.0
Investments in group undertakings and participating interests	16	19.0	19.0
Other Financial Investments			
Debt securities and other fixed income securities	17	4,525.9	4,326.0
Equity instruments	17	49.5	41.1
Loans	17	262.7	344.6
Reinsurers' Share of Technical Provisions			
Provision for unearned premiums	18	660.3	638.2
Claims outstanding including IBNR and LAE	18	2,382.7	1,855.8
Debtors			
Debtors arising out of direct insurance operations	19	978.4	1,038.2
Debtors arising out of reinsurance operations	19	379.0	525.2
Other debtors	19	50.3	103.7
Taxation			
Current tax asset	23	1.1	9.2
Deferred tax asset	23	63.7	101.6
Other Assets			
Cash at bank and in hand	20	285.0	332.6
Other	20	69.4	71.7
Prepayments and Accrued Income			
Accrued interest and rent	-	44.9	38.5
Deferred acquisition costs	9.2	132.7	165.0
Total Assets		10,008.2	9,716.8

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Balance Sheet (continued)

As at 31 December 2023

	Notes	31 December 2023 £'m	30 November 2022 £'m
Capital and Reserves			
Called up share capital	21	15.3	15.3
Share premium account	21	1,063.7	1,063.7
Other reserves	21	(195.3)	(239.9)
Profit and loss account	21	955.3	1,013.9
Total Equity		1,839.0	1,853.0
Liabilities			
Technical Provisions			
Provision for unearned premiums	22	1,349.2	1,336.5
Claims outstanding including IBNR and LAE	22	5,752.8	5,127.9
Provisions for Other Risks			
Other provisions	-	41.7	33.5
Deposits received from reinsurers	9.2	96.7	119.6
Creditors			
Creditors arising out of direct insurance operations	24	101.1	139.3
Creditors arising out of reinsurance operations	24	535.5	691.6
Other creditors including taxation and social security	24	292.2	415.4
Total Liabilities		8,169.2	7,863.8
Total Equity and Liabilities		10,008.2	9,716.8

The notes on pages 45 to 96 form an integral part of these Financial Statements.

The Financial Statements on pages 40 to 96 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf by:



Mr. Naval Kapoor
Chief Financial Officer
03 April 2024

Statement of Changes in Equity

For the period ended 31 December 2023

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
	£'m	£'m	£'m	£'m	£'m
At 1 December 2021	15.3	1,063.7	(16.7)	835.1	1,897.4
Profit for the year	-	-	-	183.6	183.6
Other comprehensive income	-	-	(223.2)	(8.1)	(231.3)
Equity settled share based payment schemes	-	-	-	3.3	3.3
At 30 November 2022	15.3	1,063.7	(239.9)	1,013.9	1,853.0
Profit for the year	-	-	-	143.1	143.1
Other comprehensive income	-	-	44.6	(5.4)	39.2
Dividend	-	-	-	(200.0)	(200.0)
Equity settled share based payment schemes	-	-	-	3.7	3.7
At 31 December 2023	15.3	1,063.7	(195.3)	955.3	1,839.0

The notes on pages 45 to 96 form an integral part of these Financial Statements.

1 GENERAL INFORMATION

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

The registered office and principal place of business is: The AIG Building, 58 Fenchurch Street, London EC3M 4AB. These Financial Statements have been authorised for issue by the Board of Directors on 18 March 2024.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The financial statements incorporate the assets, liabilities and results of the Company and are drawn up to 31 December (previously 30 November) each year.

2.1 Basis of Preparation

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

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

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

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

The Company has taken advantage of section 401 of the Companies Act 2006 (the Act), which exempts an intermediate parent company that is a subsidiary of a parent established outside the UK from the requirement to prepare consolidated financial statements if it and all of its subsidiary undertakings are included in the consolidated financial statements of a larger group drawn up in a manner equivalent to consolidated financial statements produced in accordance with Part 5 of the Act and in accordance with accounting standards which are equivalent to UK-adopted international accounting standards, as determined in accordance with Commission Regulation (EC) No 1569/2007 of 21 December 2007, as amended by The Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/707) (paragraph AG9) (Section 401(2)(b) sub paragraph (iv)).

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

The Company and all of its subsidiary undertakings are included in the consolidated financial statements of American International Group Inc., a company incorporated in the State of Delaware, United States of America. It has been determined that, for the years presented, these consolidated Financial Statements, prepared in accordance with US GAAP, are drawn up in a manner equivalent to the requirements of Section 401 of the Act. The Company has therefore not prepared consolidated Financial Statements.

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

- from disclosing the Company key management personnel compensation as per paragraph 33.7
- from preparing a statement of cash flows as per Section 7 paragraph 3.17 (d)
- from disclosing detailed transactions with related parties that are wholly-owned subsidiaries within the AIG Group as per section 33.1A
- from disclosing share-based payments as per Section 26 paragraph 26.18(b), 26.19 to 26.21 and 26.23.

In order to align the financial reporting period of the Company with that of its ultimate parent undertaking, American International Group UK Limited has changed its financial reporting date in the current reporting period to 31 December 2023. These financial statements present the Company's financial position as at 31 December 2023 and financial performance for the 13-month period from 1 December 2022 to 31 December 2023. Therefore, the comparative amounts presented in these financial statements (including the related notes) are not entirely comparable.

Going Concern

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

Severe but plausible downside scenarios have been considered including, but not limited to, any potential impact of the invasion of Ukraine by Russia as well as geopolitical and economic uncertainty. The Company has used forecasts based on its 3-year strategy to consider these downside scenarios, with stress testing being performed on factors such as performance, solvency position, liquidity and capital. Retrospective analysis has also been conducted to assess the historical accuracy of past budgets.

The Directors have considered all available information, which includes, but not limited to, a review of the Company's current and projected future: performance, solvency position, liquidity, funding capital maintenance funding, potential risks and uncertainties. The forecasts prepared and reviewed consider the Company's 3-year strategy through to 2026.

The Company has considered both quantitative and qualitative data for their going concern assessment.

There have been no material uncertainties identified in relation to any events, conditions or the significant judgements exercised during the going concern assessment. As a consequence, the Directors are confident that the Company is well placed to manage its business risks and has adequate financial resources to continue in operational existence for a period of at least twelve months from the date these financial statements are signed. Accordingly, the Company continues to prepare its financial statements on a going concern basis.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

2.2 Foreign Currencies

The Lexington division is a self-contained and integrated operation and has distinct and separate activities, so is treated as a foreign operation:

- The division is separately managed and operated and the integrated operations and activities are distinguishable and tracked separately for management reporting purposes.
- Lexington holds its own relevant assets and liabilities, including a separate investment portfolio, and is self-sufficient for funding purposes.
- The division's financial position/performance is distinguishable from other divisions, being recorded in a separate general ledger.

The functional currency of the Lexington division is US dollar, taking into account the following considerations:

- Risk location for business is predominantly in the United States of America.
- Business is mainly transacted in US dollar, with the majority of cash flows in US dollar.
- Investments held for Lexington are predominantly in US dollar.

The functional currency of the Ireland branch is Euros and as the business activity of the branch is largely conducted in Euros, it has been appropriate for Euros to be considered as its functional currency.

2.2.1 Functional Currencies – The functional currency of the Company is sterling. Translation of foreign operations of the Lexington division and the Ireland branch to presentational currency is outlined below in Note 2.2.3. Transactions and balances in currencies other than the functional currency are treated as foreign currency items.

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

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

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

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

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

2.3 Insurance Contracts

The Company follows the FRS 103 'Insurance Contracts' standard where this is relevant to insurance contracts (both direct and assumed business) that the entity issues and reinsurance contracts that the entity holds.

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

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

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

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

2.3.3 Unearned Premiums - Unearned premiums represent the proportion of premiums written that relate to periods of insurance coverage to be provided in periods subsequent to the reporting date. Unearned premiums are earned as revenue over the period of the contract and are principally calculated on a daily pro rata basis, unless there is a marked unevenness in the incidence of risk over the coverage period. In these cases, premiums are recognised based on the assessed incidence of risk. Further detail on the unearned premiums can be found in Note 3.8.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

- 2.3.4 Insurance Claims** - Insurance claims incurred in the year comprise claims paid in the year, changes in the provisions for outstanding claims, whether reported or not, any related loss adjustment expenses less, where applicable, an allowance for salvage and other recoveries, together with any adjustments to claims outstanding from previous years. This includes both direct and assumed claims.
- 2.3.5 Acquisition Costs** - Acquisition costs, which represent commissions and other related costs, are deferred and amortised over the period in which the related premiums are earned. The element of deferred acquisition costs ceded to reinsurers are reported as Deposits Received from Reinsurers on the Balance Sheet.
- 2.3.6 Claims Provisions and Related Reinsurance Recoveries** - Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported ("IBNR") to the Company. Although the Company takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, given the uncertainty in establishing claims provisions it is likely that the outcome will be different from the original liability established. The company reserving policy is to hold a total reserve to include an Actuarial Best Estimate ("ABE") and where appropriate an additional Management Best Estimate ("MBE"). The introduction of a MBE would be a suggestion from the Reserves Committee to the Board of a reserve in excess of the ABE for local reporting. The ABE reserve is derived from the process steps outlined in the following sections.

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

The IBNR reserve is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. It includes an allowance for any consistent under or over-estimation in the case reserves. The IBNR review is performed for each line of business. The in-house actuarial team conducts the assessment which is subject to an internal peer review process. Standard actuarial methodologies are used to evaluate and determine the IBNR reserves for all areas of the business including loss development methods and the analysis of individual cases in more volatile lines as appropriate. The Company's actuaries determine and select the most appropriate actuarial method to adopt for each business class. They also determine the appropriate segmentation of data from which the adequacy of the reserve can be established. A point estimate is determined from these detailed reviews and the sum of these point estimates for each class of business provides the overall actuarial point estimate for the IBNR reserve for the Company.

The final actual carried reserves, where appropriate, may consider internal and external factors such as claims initiatives and economic conditions, which may lead to an adjustment to the actuarial point estimate. The majority of the IBNR reserve relates to the longer-tail classes of business and the actuaries conduct sensitivity analysis so that senior management understand the key areas of uncertainties which could potentially lead to the final actual outcome being materially different. The Company's actuaries determine their best estimate of the undiscounted IBNR reserve and report to the Reserves Committee. The general insurance loss reserves can generally be categorised into two distinct groups.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

One group is short-tail classes of business consisting mainly of property, personal insurance lines, marine and energy. The other group is long-tail commercial lines of business which includes excess and primary liability, Directors and Officers (D&O), professional liability, employers' liability, general liability and related classes.

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

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

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

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

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

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

Reinsurance claims recoveries are recognised in the same accounting year as the related insurance claims are accounted for. The amounts recoverable from reinsurers are estimated based upon the gross provisions, having due regard to their collectability. The reinsurance recoveries in respect of estimated claims IBNR are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurers. The reinsurers' share of claims incurred in the Statement of Comprehensive Income reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year.

The reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the Statement of Comprehensive Income as outward reinsurance premiums.

2.4 Property and Equipment

Owner occupied properties are held at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other items of property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Owner occupied properties are revalued on a regular basis at open market valuation by an independent, professionally qualified expert. These valuations are in accordance with the requirements of the International Valuation Standards Council and the revaluation model within FRS 102. For periods in between the independent reviews, management conduct a review of the factors that would influence the valuation basis and any material changes in the assumptions used in the most recent review, these can include local rental rates, investment sales and occupancy trend analysis. These reviews are at least annually. Our internal experts in real estate alongside external data on properties are used to determine whether there are any indicators of impairment; if there are any then an external review would be performed.

Any revaluation increase arising on revaluation is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve, included within Other Reserves under Note 21.2, relating to a previous revaluation of that asset.

Property and equipment are depreciated to their residual values over their useful lives. Depreciation is calculated on a straight-line basis to reduce the carrying value to the residual amount over the following years:

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

The residual values, length of the economic lives and depreciation method applied are reviewed on a regular basis, and at least at every reporting date, and adjusted as appropriate. In line with FRS 102 paragraph 27.5, where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

2.5 Intangible Assets

Intangible assets include capitalised software costs. Capitalised software costs represent costs directly related to obtaining, developing or upgrading internal use software. Such costs are capitalised and amortised on a straight-line basis over the software's useful life which is a period not exceeding five years.

Goodwill is defined as the excess of the consideration transferred for the acquisition of a new business over the net asset value of the identifiable assets. In such cases, goodwill is capitalised and amortised over the useful economic life, not exceeding 5 years.

Acquired brands comprise of termination agreements relating to commission rights attached to the Direct Marketing portfolio which was historically distributed through third parties, primarily financial institutions. Each of these termination agreements involved an upfront fee of commission and such costs are capitalised and amortised on a straight-line basis over the acquired brands useful life.

Intangible assets are reviewed annually for impairment to assess whether an impairment indicator or changes in circumstances indicate that the carrying amount may not be recoverable.

2.6 Investments in Group Undertakings

Investments in group undertakings are stated at cost less impairment. Refer to note 16 for further information.

2.7 Financial Assets and Liabilities

The company has chosen to apply the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted for use in the UK) in applying FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Notes to the Financial Statements for the period ended 31 December 2023

2.7.2 Financial Assets at Fair Value through Statement of Other Comprehensive Income -

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

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

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

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

2.8 Offsetting of Financial Assets and Liabilities

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

2.9 Investment Income

Investment income to be recognised in the Statement of Comprehensive Income includes investment income (comprising of interest, dividends and the amortisation of any discount or premium on available-for-sale debt securities), realised gains and losses and movements in unrealised gains and losses on financial assets held at fair value through profit or loss. Investment expenses to be recognised in the Statement of Comprehensive Income includes Interest payable, investment expenses and impairment losses.

Notes to the Financial Statements for the period ended 31 December 2023

Interest income is recognised as accrued based on the effective interest method. Dividend income is recognised as the Company's right to those dividends becomes unconditional. Rental income is recognised on a straight-line basis.

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

2.10 Impairment of Financial Assets

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

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

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

2.11 Employee Benefits and Share Based Payments

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

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

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

2.11.4 Employee share-based payments - Equity-settled plans are measured at fair value of the equity instruments on the grant date and recognised as an expense, with a corresponding increase to shareholders' equity, on a straight-line basis over the vesting period. In determining the expense, the Company estimates the number of equity instruments that are expected to eventually vest. Such estimates are revised at the end of each reporting year, with the impact of any revisions recognised in profit or loss, with a corresponding adjustment to the equity-settled employee benefits reserve recorded within the profit and loss account. Following vesting, return of capital contributions relating to equity-settled share-based payment awards issued by AIG Inc. is a separate transaction to the initial share-based payment award. These are recorded within other comprehensive income and reported within Other Reserves in the Statement of Changes in Equity.

2.12 Leases

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

The Company also subleases some of its property and receives rental income for the amounts due. These amounts are recognised in the Statement of Comprehensive Income in accordance with the charges agreed in the sublease agreements.

2.13 Taxation

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

2.14 Pension Costs

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

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

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

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

2.15 Other Provisions and Contingent Liabilities

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

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

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

2.16 Guarantees

A guarantee is whereby the Company has guaranteed payment, against the non-payment of contractual obligations, for another entity within the AIG Group and is accounted for in accordance with FRS 103.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

UK GAAP requires management to select suitable accounting policies, apply them consistently and make judgements and estimates which are reasonable and prudent when preparing the Financial Statements. These judgements and estimates are based on management's knowledge of current factors and circumstances and prediction of future events and actions. There is a risk that the actual result within the next year may differ from some of the estimates, possibly significantly.

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

Accounting Estimates	Accounting Policy	Disclosure Note
3.1 - Liability for unpaid claims and loss adjustment expenses	2.3.6	22
3.2 - Pipeline premiums and associated loss reserve	2.3.2	-
3.3 - Estimate of reinsurance recoveries	2.3.6	22
3.4 - Pensions	2.14	20.3
3.5 - Taxation	2.13	23
3.6 - Share Based Payments	2.11.4	25

Judgements	Accounting Policy	Disclosure Note
3.6 - Impairment of available for sale financial instruments	2.10	17
3.7 - Non-standard earning patterns	2.3.3	22
3.8 - Property and equipment (land and buildings)	2.4	15

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below (with the estimates related to items 3.1 through 3.3 being considered to be those that have a significant risk of material adjustment to the carrying value of assets and liabilities in the next financial year):

3.1 Liability for unpaid claims and loss adjustment expenses

Provision is made at year end for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported, and the estimated expenses to be incurred in settling claims. The value at 31 December 2023 and 30 November 2022 is shown within note 22.1.

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company. Classes of business which have a longer reporting tail, and where the IBNR proportion of the total reserve is therefore higher than classes of business with a shorter reporting tail will typically display greater variations between initial estimates and final outcomes. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to have less uncertainty within the unpaid liability estimate.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

In calculating the required levels of provisions, the Company uses a variety of estimation techniques used widely across the market, generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. In arriving at booked claims provisions, management also make allowance for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in patterns of claim incidence, reporting, processing, finalisation and payment;
- changes in the legal environment;
- the impact of inflation (both economic/wage and superimposed);
- changes in the mix of business;
- the impact of large losses;
- the impact of catastrophic events and climate related risks;
- movements in industry benchmarks;
- number of claims that have a high likelihood of becoming Periodic Payment Orders;
- current accident year experience;
- medical and technological developments; and
- changes in policyholder behaviour.

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

Given the current inflationary environment, standard actuarial methods may not appropriately allow for the material change to inflation observed in recent years. The potential shortfall in reserves due to inflationary changes is mitigated by actions taken by AIG, including allowances for excess inflation above the historical average and explicit loads for social inflation in the selected loss ratios. In addition, detailed inflation analysis and sensitivity testing is performed annually, referencing the latest CPI and earning indices. This analysis is used to assess the impact of past and future inflation, by type and line of business.

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

3.2 Pipeline premiums and associated loss reserves

Pipeline premiums exist where the Company makes an estimate of premiums written during the year that have not yet been notified by the financial year end based on prior year experience and current year business volumes. This consists of an actuarial accrual and a non-actuarial accrual. The pipeline premium is booked together with an assessment of the related unearned premium reserve and an estimate of claims incurred but not reported, as well as any associated acquisition costs. A test is performed of actual premium received against prior year pipeline premium actuarial accruals and the estimation process adjusted if necessary to increase the accuracy of the current year estimate. This year's test concluded that the pipeline premiums are reasonable. The Actuarial accrual on a written basis as at year end was £193.3m gross and £69.0m net (2022: £193.0m gross and £69.0m net).

Notes to the Financial Statements for the period ended 31 December 2023

3.3 Estimate of reinsurance recoveries

The Company's estimate of reinsurance recoveries is based on the relevant reinsurance programme in place for the calendar year in which the related losses have been incurred. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim reserves associated with the reinsured policy. An estimate for potential reinsurance failure and possible disputes is provided to reduce the carrying value of reinsurance assets to their net recoverable amount. The value of the estimate of reinsurance recoveries was £2,382.7m (2022: £1,855.8m).

3.4 Pensions

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

The pension obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The sensitive nature of key assumptions, such as discount and mortality rates, can have a material impact on the closing valuation of the schemes and these rates are subject to judgement to ensure reasonableness and accuracy. The resultant net surplus or deficit recognised as an asset or liability on the Balance Sheet is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets. The carrying value of the net scheme asset is £18.5m (2022: £23.8m).

3.5 Taxation

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

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the deferred tax assets relate to tax losses, the availability of the losses to offset against forecast taxable profits is also considered. The recovery of the deferred tax asset is sensitive to changes in the underwriting result and investment yield assumptions as these are the material drivers of future taxable profits. Recognition therefore involves judgement regarding the future financial performance of the tax group in which the deferred tax asset has been recognised. The carrying value of the position in the Balance Sheet is £1.1m current tax asset and £63.7m deferred tax asset (2022: current tax asset £9.2m, deferred tax asset £101.6m).

3.6 Impairment of available-for-sale financial instruments

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows. Refer to Note 17.2 for further details regarding impairment of financial investments.

Notes to the Financial Statements for the period ended 31 December 2023

3.7 Non-standard earning patterns

For Mergers and Acquisitions (M&A) Financial Lines business the earning patterns are non-standard. Under FRS 103 the insured event is the discovery of the loss during the term of the contract, rather than the fact that a loss has occurred due to circumstances existing at the time of inception.

Whilst Financial Lines policies can cover up to ten years or more, our Actuarial department have validated that M&A Financial Lines premium booked is to be earned evenly over three years as the majority of claims are reported within this time period. Adjustments have been calculated with reference to policy inception dates and cover earned premium, deferral of acquisition costs and IBNR adjustments as advised by Actuarial based on the earning adjustments.

The Adverse Development Cover ("ADC") reinsurance contract used to protect against adverse reserving impacts has a 4-year earning pattern which was aligned to the risk emergence on the policies covered by the ADC. The value of the unearned premium on this contract as at 31 December 2023 was £49.2 million.

3.8 Property and equipment (land and buildings)

For accounting periods where an independent valuation of the land and buildings is not performed, management exercise judgement in determining if there are any indicators of impairment. The review consists of understanding any material changes in the assumptions used in the most recent external review, these can include local rental rates, investment sales and occupancy trend analysis. Judgement is applied to these factors to determine whether there are any indicators of impairment that might then warrant an external review to be performed. Refer to Note 15 for further details regarding impairment of property and equipment.

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The management of risk is a fundamental concern of the Company's management. This note summarises the key risks to the Company and the policies, procedures and objectives put in place by management to manage them.

4.1 Financial Risk Management

4.1.1 Liquidity Risk

This is the risk of loss resulting from the inability to fully meet payment obligations when they come due. It is mitigated through investment in predominately tradeable financial assets and constant monitoring of expected asset and liability maturities. The Company further manages this risk through reviews of Liquidity Risk Management Reports provided by the Treasury function, as well as review and approval of stress scenarios designed by Treasury to assess liquidity risk of the Company in extreme situations.

The Company's Treasury department is operationally responsible for ensuring that sufficient funding required for a stressed scenario is available and that the sources of funding are appropriately diversified. The Company's Treasury department maintains a Contingent Funding Plan that is triggered in the event of breaches in the liquidity risk limits.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

Maturity Analysis of Financial Liabilities

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

	Less than one year £'m	One to two years £'m	Two to three years £'m	Three to four years £'m	Four to five years £'m	Five to ten years £'m	Over ten years £'m	Carrying value in the balance sheet £'m
At 31 December 2023								
Insurance liabilities:								
Provision for unearned premiums	462.9	282.2	170.0	111.8	93.2	177.7	51.4	1,349.2
Claims outstanding including IBNR and LAE	1,731.7	1,069.9	718.8	504.5	392.4	834.4	501.1	5,752.8
Creditors	925.4	3.4	-	-	-	-	-	928.8
Total	3,120.0	1,355.5	888.8	616.3	485.6	1,012.1	552.5	8,030.8

	Less than one year £'m	One to two years £'m	Two to three years £'m	Three to four years £'m	Four to five years £'m	Five to ten years £'m	Over ten years £'m	Carrying value in the balance sheet £'m
At 30 November 2022								
Insurance liabilities:								
Provision for unearned premiums	451.0	271.0	167.0	120.1	94.0	179.8	53.6	1,336.5
Claims outstanding including IBNR and LAE	1,461.4	939.5	668.1	481.6	346.1	750.6	480.6	5,127.9
Creditors	1,243.7	2.6	-	-	-	-	-	1,246.3
Total	3,156.1	1,213.1	835.1	601.7	440.1	930.4	534.2	7,710.7

4.1.2 Credit Risk

This is the possibility of loss due to a failure of a debtor to meet its contractual obligations. The Company has exposure to credit risk principally through its holdings of debt securities, structured assets and reinsurance assets.

Unexpected Credit Loss Owing to Reinsurer Failure: The Company seeks to manage this through annual review of the financial strength and creditworthiness of reinsurance counterparties, as well as tracking overall exposures to individual reinsurers. In addition, a list of approved reinsurers is maintained, and an established process is in place to ensure that approval is obtained before reinsurance cover is taken out with a reinsurer not on the approved list (this may include requiring collateralisation). Where appropriate, letters of credit or collateral arrangements are entered into.

Unexpected Credit Loss (All Other Counterparties Including Group): The Company seeks to manage this risk through the utilisation of processes and procedures to ensure that the Company only utilises approved bank operating accounts and investment counterparties. In addition, the Company has controls in place to ensure that third parties transacted with are subject to credit checks prior to and during the year where it is possible to do so.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

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

At 31 December 2023	AAA £'m	AA £'m	A £'m	BBB £'m	Below invest- ment grade £'m	Not rated £'m	Total £'m
Financial investments							
Debt securities	1,327.0	963.9	1,381.0	732.2	100.8	-	4,504.9
Equity instruments	-	-	-	-	-	49.5	49.5
Loan participations	-	-	86.0	67.5	109.2	-	262.7
Mutual Funds	17.9	3.1	-	-	-	-	21.0
Reinsurers' share of technical provisions	-	449.4	976.3	1,422.3	53.7	141.3	3,043.0
Debtors	-	31.9	843.1	207.8	-	324.9	1,407.7
Accrued interest and rent	9.4	4.9	17.2	9.5	3.9	-	44.9
Cash in bank	-	0.4	161.0	-	-	-	161.4
Short term deposits	-	100.2	23.4	-	-	-	123.6
Other assets - other	-	-	-	-	-	69.4	69.4
Total	1,354.3	1,553.8	3,488.0	2,439.3	267.6	585.1	9,688.1

At 30 November 2022	AAA £'m	AA £'m	A £'m	BBB £'m	Below invest- ment grade £'m	Not rated £'m	Total £'m
	* Restated	* Restated	* Restated	* Restated	* Restated	* Restated	* Restated
Financial investments							
Debt securities	1,417.2	917.4	1,339.0	528.5	124.0	-	4,326.1
Equity instruments	-	-	-	-	-	41.1	41.1
Loan participations	12.5	49.5	129.1	38.3	115.2	-	344.6
Reinsurers' share of technical provisions	-	271.9	830.4	1,269.5	88.6	33.6	2,494.0
Debtors	-	31.2	1,234.6	174.4	-	226.9	1,667.1
Accrued interest and rent	10.9	6.1	12.0	6.9	2.6	-	38.5
Cash in bank	-	2.2	138.8	-	-	-	141.0
Short term deposits	-	94.1	97.5	-	-	-	191.6
Other assets - other	-	-	-	-	-	71.6	71.6
Total	1,440.6	1,372.4	3,781.3	2,017.6	330.4	373.2	9,315.6

* Restated note: The prior year table for 30 November 2022 has been restated to reflect the credit rating of Reinsurers' share of technical provisions as at 30 November 2022 as per the accounting policy described above.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

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

At 31 December 2023	Financial assets that are past due but not impaired				Carrying value in the Balance Sheet £'m
	Neither past due nor impaired £'m	0-90 days £'m	91+ days £'m	Financial assets that have been impaired £'m	
Financial investments					
Debt securities	4,504.9	-	-	-	4,504.9
Equity instruments	49.5	-	-	-	49.5
Loan participations	258.0	-	-	4.7	262.7
Mutual funds	21.0	-	-	-	21.0
Reinsurers' share of technical provisions	3,043.0	-	-	-	3,043.0
Debtors	19.9	1,021.9	365.9	-	1,407.7
Accrued interest and rent	44.9	-	-	-	44.9
Cash in bank	161.4	-	-	-	161.4
Short term deposits	123.6	-	-	-	123.6
Other assets - other	69.4	-	-	-	69.4
Total	8,295.6	1,021.9	365.9	4.7	9,688.1

At 30 November 2022	Financial assets that are past due but not impaired				Carrying value in the Balance Sheet £'m
	Neither past due nor impaired £'m	0-90 days £'m	91+ days £'m	Financial assets that have been impaired £'m	
Financial investments					
Debt securities	4,326.1	-	-	-	4,326.1
Equity instruments	41.1	-	-	-	41.1
Loan participations	336.4	-	-	8.2	344.6
Reinsurers' Share of Technical Provisions	2,494.0	-	-	-	2,494.0
Debtors	192.8	934.1	540.3	-	1,667.2
Accrued interest and rent	38.5	-	-	-	38.5
Cash in bank	141.0	-	-	-	141.0
Short term deposits	191.6	-	-	-	191.6
Other assets -other	71.5	-	-	-	71.5
Total	7,832.9	934.1	540.3	8.2	9,315.6

4.1.3 Interest Rate Risk

This is the risk of loss resulting from unexpected movements in interest rate. It arises primarily from the Company's fixed maturity securities and discounted claims provisions which are exposed to fluctuations in interest rates. The Company mitigates this risk by matching the duration between assets and liabilities; asset duration should equal liability duration within a tolerance of plus or minus one year. Interest rate exposure at different points of the curve (key rate duration) are also monitored. In addition, to provide a more accurate interest risk management, this also ensures that liability cash flows are fully backed by assets cash flows over a similar time horizon. At 31 December 2023 duration for the Company's fixed maturity portfolio was 3.1 years (2022: 2.9 years).

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

Sensitivity Analysis

Fixed Maturity Portfolio

At 31 December 2023, the sensitivity of the carrying value of the Company's fixed maturity portfolio was as follows. Subject to any impairment charges that may result under the scenarios, the fair value reserve would be reduced by £146.5 million (2022: £136.1 million) for a 100-basis-point increase in interest rates. Conversely, a 100-basis-point decrease in interest rates would increase the fair value reserve by £152.7 million (2022: £142.9 million). For an increase of 200 basis points in interest rates the fair value reserve would reduce by £287.2 million (2022: £265.4 million) and for a decrease of 200 basis points in interest rates the fair value reserve would increase by £312.2 million (2022: £292.6 million).

Discounted Claims Provisions

With respect to discounted claims provisions a 100 basis points increase in interest rates would reduce net claims provisions by £7.0m (2022: £8.0 million) while a 100-basis-point decrease in interest rates would increase net claims provisions by £9.1m (2022: £10.7 million). For an increase of 200 basis points in interest rates the net claims provision would reduce by £12.5m (2022: £14.1 million) and for a decrease of 200 basis points in interest rates they would increase by £21.5m (2022: £26.5 million).

4.2 Concentration Risk

The Company considers the following areas in determining its concentration risk:

- **Investments** – the Company's Market Risk Committee monitor the adherence to our established set of investment guidelines which includes restrictions on areas such as asset class concentrations, business sector concentrations, the duration of investments against our insurance liabilities, the level of assets held with single obligors with a credit rating lower than AAA and the overall average credit rating target of the investment portfolio. These controls limit our risk of exposure to a single counterparty. The concentration risk for the financial assets is well monitored and substantially unchanged to prior year.
- **Types of insured events** – As outlined in Note 4.1 the Company seeks to manage the risk of being overly focused on type of insurance cover through the use of pre-bind rules and authorities to manage significant within-line and cross-line exposures, as well as Realistic Disaster Scenario runs to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business. The value of outstanding claims arising from insurance contracts by line of business is summarised in Note 22.3.
- **Product Concentration** – As mentioned above in Note 4.1, the Company regularly run exposure concentration analyses as part of general portfolio modelling. The Company achieves good product diversification across a wide range of lines of business – an analysis for this is outlined in Note 8.
- **Geographical area** – As outlined in Note 4.1 the Company seeks to manage the risk of being overly focused in a specific geographical area through the use of pre-bind rules and authorities to manage significant within-line and cross-line exposures, as well as Realistic Disaster Scenario runs to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business. For the Lexington division all the business is written in the UK with a risk location in the U.S.A. The value of outstanding claims arising from insurance contracts by line of geography is summarised in Note 22.4.
- **Currency** – As mentioned in Note 4.1, the Company's Treasury Department has processes and procedures in place in order to review, assess and, if necessary, take action on foreign exchange rate movements. Further details of the currency sensitivity are included in Note 7.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

5 CAPITAL RISK MANAGEMENT

Capital Adequacy Risk is managed by the application of and adherence to a clearly defined capital management policy and an annual Capital Management Plan. This sets out target capital parameters (in excess of the regulatory solvency capital requirements) and a strategy to maintain this over the life of the company's business planning period, to meet rating agency requirements and dividend payments to the AIG Group. In addition, AIGUK utilises capital support agreements between the Company and its ultimate parent.

The Company is regulated by the UK regulator, the Prudential Regulatory Authority ("PRA") under the Solvency II regime. The Company applied the PRA's approved internal capital model, as an integrated framework to support its objectives by managing risk and capital across the business. An Own Risk and Solvency Assessment ('ORSA') is produced by the Company at least once a year, to provide an assessment of the risk profile and capital needs of the company including a forward-looking view over the planning horizon and stress testing.

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

	31 December 2023 £'m	30 November 2022 £'m
Basic own funds		
Ordinary share capital (gross of own shares)	15.3	15.3
Share premium account related to ordinary share capital	1,063.7	1,063.7
Reconciliation reserve	707.1	546.2
An amount equal to the value of net deferred tax assets	53.1	118.7
Total basic own funds	1,839.2	1,743.9
Ancillary own funds - letters of credit	400.0	400.0
Total own funds	2,239.2	2,143.9
Available and eligible own funds		
Total available own funds to meet the SCR	2,239.2	2,143.9
Total eligible own funds to meet the SCR	2,239.2	2,143.9
Solvency Capital Requirement - Internal Model *	1,200.9	1,269.8
Ratio of eligible own funds to SCR *	186.5%	168.8%

* these numbers are unaudited

As at 31 December 2023, the Own Funds was £2,239.2 million (2022: £2,143.9 million) providing a coverage ratio of 186.5% (2022: 168.8%) against the SCR. The Company was in full compliance with the SCR throughout the year. The Solvency Capital Requirement – Internal Model calculation is out of scope for audit.

The capital objectives of the Company are included in the Capital Plan which is a complete and comprehensive analysis of AIGUK's planned capital sources and uses over a 3-year period to year end 2025. The target capital level for the Company is to hold sufficient capital to meet the internal model SCR and withstand any stress scenarios.

Notes to the Financial Statements for the period ended 31 December 2023

6 FAIR VALUE MEASUREMENT

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

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

6.1 Fair Value Hierarchy

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

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

Notes to the Financial Statements for the period ended 31 December 2023

6.2 Valuation Methodologies

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

6.2.1 Fixed Maturity Securities

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

Management is responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions. The Company employs independent third-party valuation service providers to gather, analyse and interpret market information, and derive fair values based upon relevant methodologies and assumptions for individual instruments. When the Company's valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely accepted internal valuation models.

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

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

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

Notes to the Financial Statements for the period ended 31 December 2023

6.2.2 Fixed Maturity Securities Issued by Government Entities

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

6.2.3 Fixed Maturity Securities Issued by Corporate Entities

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

6.2.4 RMBS/CMBS/CDOs and Other ABS

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

6.2.5 Mutual Funds

Mutual funds are a new class of investment being reported for the period ended 31 December 2023 and take the form of short-term funds supporting our liquid asset portfolio. These were initially recognised at amortised cost, before subsequent remeasurement to fair value at each reporting date. Due to availability of publicly quoted prices in active markets, they are classified as Level 1 fair value.

6.2.6 Equity Securities

Equity securities held by the Company relate to investments in real estate investment funds and private equity funds and these are held at fair value with amounts recognised through Other Comprehensive Income.

6.2.7 Loans Receivables

The Company holds Loans Receivables at amortised cost in line with their classification as Loans and receivables under IAS 39 (opted for under the choice given under FRS 102). Amortised cost is calculated using the effective interest method, which allocates interest income/expense over the relevant year by applying the effective interest rate to the carrying amount of the asset. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. Loans and receivables include Short Term Investments, reported as Short Term Deposits in Notes 20.1.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

6.3 Analysis by Hierarchy

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

At 31 December 2023	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets:				
Available-for-sale debt securities and other fixed income securities:				
Fixed maturity securities issued by Government entities	12.8	1,626.9	-	1,639.7
Fixed maturity securities issued by corporate entities	-	2,574.2	2.5	2,576.7
RMBS	-	85.8	-	85.8
CMBS	-	92.8	-	92.8
CDO/ABS	-	109.9	-	109.9
Mutual funds	21.0	-	-	21.0
Total	33.8	4,489.6	2.5	4,525.9
Available-for-sale equity securities				
Equity instruments	-	-	49.5	49.5
Total	-	-	49.5	49.5
Total Other Financial Investments	33.8	4,489.6	52.0	4,575.4
At 30 November 2022				
Assets:				
Available-for-sale debt securities and other fixed income securities:				
Fixed maturity securities issued by Government entities	5.2	1,952.5	-	1,957.7
Fixed maturity securities issued by corporate entities	-	2,326.5	-	2,326.5
CMBS	-	11.2	-	11.2
CDO/ABS	-	30.5	-	30.5
Total	5.2	4,320.7	-	4,325.9
Available-for-sale equity securities				
Equity instruments	-	-	41.2	41.2
Total	-	-	41.2	41.2
Total Other Financial Investments	5.2	4,320.7	41.2	4,367.1

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

6.4 Transfers Between Hierarchies

Transfers of Level 1 and Level 2 Assets and Liabilities

The Company's policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the period ended 31 December 2023 there were no transfers from Level 1 to Level 2. There were no transfers from Level 1 to Level 2 in the prior year. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. During the period ended 31 December 2023 and the year ended 30 November 2022, there were no transfers of assets from Level 2 to Level 1.

Reconciliation of Movements in Level 3 Financial Investments at Fair Value

A reconciliation of the movements during the year of financial assets measured using inputs not based on observable market data is shown below:

	31 December 2023 £'m	30 November 2022 £'m
Fair value at beginning of year (1 December)	41.2	35.3
Additions	13.1	5.4
Disposals	(3.6)	(4.5)
Total gains and losses recognised in profit and loss for the year	-	3.2
Total gains and losses recognised in other comprehensive income	1.3	1.4
Foreign exchange movements	-	0.4
Fair value at end of year	52.0	41.2

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the net unrealised gains and losses on instruments held at 31 December 2023 and 30 November 2022 may include changes in fair value that were attributable to both observable (e.g. changes in market interest rates) and unobservable inputs (e.g. changes in unobservable long-dated volatilities). During the period ended 31 December 2023 and the year ended 30 November 2022, there were no transfers from Level 1 or Level 2 to Level 3 or from Level 3 to Level 1 or Level 2.

Transfers of Level 3 Assets and Liabilities

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

Notes to the Financial Statements for the period ended 31 December 2023

6.5 Sensitivity to Changes in Unobservable Inputs

The Company considers unobservable inputs to be those for which market data is not available and that are developed using the best information available to the Company about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value.

The following is a general description of sensitivities of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply.

RMBS and CDO/ABS

The significant unobservable inputs used in fair value measurements of certain RMBS and CDO/ABS valued by third party valuation service providers are constant prepayment rates (CPR), constant default rates (CDR), loss severity, and yield. A change in the assumptions used for the probability of default will generally be accompanied by a corresponding change in the assumption used for the loss severity and an inverse change in the assumption used for prepayment rates. In general, increases in yield, CPR, CDR, and loss severity, in isolation, would result in a decrease in the fair value measurement. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship between the directional change of each input is not usually linear.

CMBS

The significant unobservable input used in fair value measurements for CMBS is the yield. Prepayment assumptions for each mortgage pool are factored into the yield. CMBS generally feature a lower degree of prepayment risk than RMBS because commercial mortgages generally contain a penalty for prepayment. In general, increases in the yield would decrease the fair value of CMBS.

7 EXCHANGE RATES

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

7.1 USD Rates

	2023	2022
USD		
Average rate (GBP 1 equals)	\$1.240	\$1.173
Closing rate (GBP 1 equals)	\$1.274	\$1.205

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

7.2 Currency Sensitivity Analysis

The Company performs a sensitivity analysis on its main currencies held by applying a +10/-10 percent impact. The results of this analysis are shown below:

As At 31 December 2023

	USD £'m	GBP £'m	EUR £'m	Other £'m	Total £'m
Total equity by currency	1,056.5	618.1	185.9	(21.5)	1,839.0

	10% increase in GBP / USD rate £'m	10% increase in GBP / EUR rate £'m	10% decrease in GBP / USD rate £'m	10% decrease in GBP / EUR rate £'m	
Total equity at 31 December 2023	(95.2)	1.1	116.3	(1.3)	

As At 30 November 2022

	USD £'m	GBP £'m	EUR £'m	Other £'m	Total £'m
Total equity by currency	1,139.1	640.9	125.0	(52.1)	1,853.0

	10% increase in GBP / USD rate £'m	10% increase in GBP / EUR rate £'m	10% decrease in GBP / USD rate £'m	10% decrease in GBP / EUR rate £'m	
Total equity at 30 November 2022	(101.6)	(11.5)	124.2	(1.4)	

8 ANALYSIS OF TECHNICAL ACCOUNT

For the year ended 31 December 2023	Accident & Health	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	Third Party Liability	Credit and suretyship insurance	Assistance	Miscellaneous	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross - Direct Business	116.1	85.8	5.7	253.2	798.4	836.4	77.9	9.0	56.7	2,239.2
Gross - Reinsurance accepted	1.2	7.0	-	176.0	693.8	100.2	-	0.3	4.4	982.9
Total Gross Premiums Written	117.3	92.8	5.7	429.2	1,492.2	936.6	77.9	9.3	61.1	3,222.1
Gross premiums earned	118.2	88.0	5.9	422.5	1,457.4	925.2	79.6	11.1	69.2	3,177.1
Gross claims incurred	(60.5)	(124.8)	(7.4)	(117.2)	(1,315.1)	(782.9)	(4.1)	0.9	(16.6)	(2,427.7)
Gross operating expenses	(62.6)	(20.9)	(1.9)	(106.0)	(116.4)	(317.7)	(0.9)	(4.2)	(22.4)	(653.0)
Reinsurance balance	-	(0.2)	-	(0.7)	(20.7)	(6.0)	0.2	0.1	(0.1)	(27.4)
Net technical account balance before allocated investment return	(4.9)	(57.9)	(3.4)	198.6	5.2	(181.4)	74.8	7.9	30.1	69.0
Allocated investment return transferred from the non-technical account										117.2
Balance on technical account for general business										186.2

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

For the year ended 30 November 2022	Accident & Health	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	Third Party Liability	Credit and suretyship insurance	Assistance	Miscellaneous	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross - Direct Business	95.6	72.0	7.1	237.3	664.6	820.4	51.7	15.3	49.7	2,013.6
Gross - Reinsurance accepted	48.1	5.2	-	145.5	578.1	44.8	-	1.7	3.7	827.2
Total Gross Premiums Written	143.7	77.2	7.1	382.8	1,242.7	865.2	51.7	17.0	53.4	2,840.8
Gross premiums earned	142.2	77.0	6.9	376.3	1,194.0	853.6	48.2	14.6	70.8	2,783.6
Gross claims incurred	(93.9)	(91.5)	(5.8)	(239.8)	(748.0)	(591.3)	(33.1)	(12.8)	(39.3)	(1,855.5)
Gross operating expenses	(35.9)	(13.0)	(3.0)	(86.3)	(241.6)	(180.1)	(8.9)	(6.2)	(24.1)	(599.1)
Reinsurance balance	(4.8)	24.9	-	(41.3)	(103.7)	(35.1)	(11.7)	(1.1)	(2.3)	(175.1)
Net technical account balance before allocated investment return	7.6	(2.6)	(1.9)	8.9	100.7	47.1	(5.5)	(5.5)	5.1	153.9
Allocated investment return transferred from the non-technical account										76.8
Balance on technical account for general business										230.7

9 NET OPERATING EXPENSES

9.1 Acquisition Costs

	31 December 2023	30 November 2022
	£'m	£'m
Commissions	373.7	365.8
Other Acquisitions Costs	101.2	93.2
	474.9	459.0

9.2 Change in Deferred Acquisition Costs

	31 December 2023			30 November 2022		
	Gross	Ceded	Net	Gross	Ceded	Net
	£'m	£'m	£'m	£'m	£'m	£'m
Opening balance	165.0	119.6	45.4	154.9	80.9	74.0
Movement in the year	(29.7)	(20.7)	(9.0)	8.8	37.4	(28.6)
Foreign exchange movements	(2.6)	(2.2)	(0.4)	1.3	1.3	-
Closing balance	132.7	96.7	36.0	165.0	119.6	45.4

9.3 Administrative Expenses

	31 December 2023	30 November 2022
	£'m	£'m
Staff costs	124.4	109.3
Professional fees	16.7	12.4
Premises	11.1	11.0
Depreciation and amortisation	9.9	10.3
Travel	2.7	1.6
IT	6.8	5.2
Audit fee	2.8	2.0
Other expenses	(26.0)	(2.7)
	148.4	148.9

The Other Expenses includes a reallocation of some of the administrative expenses to Other Acquisition Costs and Unallocated Loss Adjusted Expenses.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

9.4 Reinsurance Commissions

	31 December 2023 £'m	30 November 2022 £'m
Reinsurance Commissions	318.5	294.5
	318.5	294.5

The reinsurance commissions increase is driven by an increase in gross premiums written related to the Risk Management business which is largely reinsured to captives or other third parties.

10 INCOME FROM OTHER INVESTMENTS

10.1 Income Analysis

	31 December 2023 £'m	30 November 2022 £'m
Interest income from debt securities:		
Available-for-sale financial assets	137.8	103.0
Interest income:		
From loans and receivables	11.5	5.0
From cash and cash equivalents	10.7	1.8
	160.0	109.8

The movement in investment income is largely driven by an increase in yields reflecting accelerating interest rates over the period.

10.2 Allocated Investment Return Transferred to the General Business Technical Account

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

	31 December 2023 £'m	30 November 2022 £'m
Investment income	136.2	99.3
Investment expenses and charges	(19.0)	(22.5)
Allocated investment return transferred to the general business technical account	117.2	76.8

11 OTHER EXPENSES/INCOME

	31 December 2023 £'m	30 November 2022 £'m
Rental income from property	-	0.1
Policy fee income	5.6	4.6
Net foreign exchange losses	(7.7)	(4.0)
	(2.1)	0.7

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

12 TAX ON PROFIT ON ORDINARY ACTIVITIES

12.1 Analysis of tax charge in the year

	31 December 2023 £'m	30 November 2022 £'m
Current tax:		
For the current year	41.7	44.4
Adjustments in respect of previous years	(1.9)	(0.8)
Total current tax	39.8	43.6
Deferred tax:		
Capital allowances lower than depreciation	1.3	0.8
Effect of taxation treatment for pension	-	(0.1)
Effect of changes in tax rate	-	3.2
Share based payments	0.8	(0.8)
Adjustments in respect of previous years	(0.9)	1.0
Total deferred tax charge	1.2	4.2
Income tax expense for the year	41.0	47.8

12.2 Analysis of factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for the UK (2022: was higher). The differences are explained below:

	31 December 2023 £'m	30 November 2022 £'m
Profit on ordinary activities before tax	184.1	231.4
Profit on ordinary activities before tax multiplied by blended rate of corporation tax in the UK of 23.15% (2022: 19%)	42.6	44.0
Effects of:		
Expenses not deductible for tax purposes	1.1	1.0
Effect of tax rate differences	(0.4)	3.4
Adjustments in respect of previous years	(2.3)	-
Deferred tax attributes not recognised	-	(0.6)
Tax charge for the year	41.0	47.8

Changes to the main UK Corporation tax rate were substantively enacted as part of the Finance Act 2021, including an increase of the main rate from 19% to 25% with effect from 1 April 2023. Deferred tax is recognised at the rate which is expected to apply upon realisation/unwinding. Save for the company's pension surplus recognised at 35%, all other balances are recognised at 25%.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

12.3 Tax charge to other comprehensive income

	31 December 2023 £'m	30 November 2022 £'m
Current tax:	-	5.7
Total current tax	-	5.7
Deferred tax:		
Items that may be reclassified subsequently to profit and loss		
In respect of fair value movements on financial assets	36.7	(114.7)
Total deferred tax	36.7	(114.7)
Tax charge to other comprehensive income	36.7	(109.0)

13 PROFIT FOR THE YEAR

13.1 Charges to profit for the year

	31 December 2023 £'m	30 November 2022 £'m
Profit for the year is stated after charging:		
Amortisation of intangible assets (note 14)	3.9	3.5
Depreciation charge for the year (note 15)	6.0	6.8
	9.9	10.3

13.2 Auditor's Remuneration

	31 December 2023 £'m	30 November 2022 £'m
Fees paid to the Company's Auditors and their associates for the audit of the financial statements	2.6	1.8
Fees paid to the Company's Auditors and their associates for other services:		
The audit of Company's subsidiaries	0.1	0.1
Audit related assurance services	0.1	0.1
	2.8	2.0

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

13.3 Employee Costs

	31 December 2023 £'m	30 November 2022 £'m
Wages and salaries	101.2	89.4
Social security costs	13.3	11.0
Post retirement benefits:		
Defined benefit schemes	0.5	0.5
Defined contribution schemes	8.9	7.9
Termination benefits	0.5	0.5
	124.4	109.3

13.4 Staff Numbers

The average headcount below represents the total number of employees contractually employed directly by the Company and/or by the Company and AIG Europe S.A. as part of the dual contract arrangement set up post-Brexit requirements. The associated payroll functionality and staff costs are managed by AIG Europe (Services) Limited ("AESL"), a service entity owned by AIGUK. AESL acts as a paymaster and recharges the staff costs to AIGUK without markup.

	31 December 2023 Number	30 November 2022 Number
United Kingdom	1,174	1,173

13.5 Directors' Emoluments

	31 December 2023 £'m	30 November 2022 £'m
<u>Aggregate emoluments:</u>	3.6	2.0
Aggregate value of contributions in respect of money purchase pension scheme	-	-
Aggregate value of contributions in respect of long term incentive schemes	1.3	0.9
<u>Highest paid director:</u>		
Emoluments of the highest paid director	2.1	1.3
Contributions to money purchase pension scheme of the highest paid director	-	-

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

14 INTANGIBLE ASSETS

	Software development £'m	Acquired brands and other £'m	Goodwill £'m	Total £'m
Cost				
Balance at 1 December 2021	35.4	3.7	3.5	42.6
Additions	1.5	-	-	1.5
Disposals	(6.5)	-	-	(6.5)
Balance at 30 November 2022	30.4	3.7	3.5	37.6
Additions	6.3	-	-	6.3
Balance at 31 December 2023	36.7	3.7	3.5	43.9
Amortisation and impairment				
Balance at 1 December 2021	27.7	2.0	0.5	30.2
Disposals	(6.5)	-	-	(6.5)
Amortisation charge for the year	2.4	0.4	0.7	3.5
Balance at 30 November 2022	23.6	2.4	1.2	27.2
Amortisation charge for the year	2.9	0.3	0.7	3.9
Balance at 31 December 2023	26.5	2.7	1.9	31.1
Carrying amount				
At 31 December 2023	10.2	1.0	1.6	12.8
At 30 November 2022	6.8	1.3	2.3	10.4

Hospital Plan Insurance Services ("HPIS") administered insurance business within the UK on behalf of the company. As part of the AIG corporate initiative to simplify its legal entity structure, it was agreed that the Company would directly administer the insurance business and the HPIS business was sold to AIGUK on 1 March 2021. A goodwill of £3.5 million arose on the acquisition of the business of HPIS and will be amortised over its useful economic life of 5 years. HPIS and its parent HPIS Ltd were placed into liquidation on 10 March 2021 and 11 March 2021 respectively. HPIS was dissolved on 7 June 2023.

The total amortisation charge shown above for £3.9 million can be found within Note 13.1.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

15 PROPERTY AND EQUIPMENT

The Company's land and buildings are stated at their revalued amounts, representing the fair value at the date of revaluation, less any subsequent depreciation and accumulated impairment losses. The Company's land and buildings in London and Croydon were last valued by CBRE Limited as at 31 December 2022. The valuation methods utilised include the comparable method which compares the subject asset with similar assets for which information is available, and the hard core traditional method, which measures the value of property by an estimate of current market rental value plus any capital costs for fittings.

	Land and buildings £'m	Leasehold improvements and Fixtures & Fittings £'m	Total £'m
Cost or valuation			
Balance at 1 December 2021	96.1	48.1	144.2
Additions	-	2.9	2.9
Disposals	-	(7.9)	(7.9)
Movements in fair value	(10.2)	-	(10.2)
Balance at 30 November 2022	85.9	43.1	129.0
Additions	-	0.8	0.8
Balance at 31 December 2023	85.9	43.9	129.8
Accumulated depreciation			
Balance at 1 December 2021	5.7	36.6	42.3
Disposals	-	(7.5)	(7.5)
Movements in fair value	(8.5)	-	(8.5)
Charge for the year	2.8	3.9	6.8
Balance at 30 November 2022	-	33.0	33.1
Charge for the year	2.8	3.2	6.0
Balance at 31 December 2023	2.8	36.2	39.1
Carrying amount			
At 31 December 2023	83.1	7.7	90.8
At 30 November 2022	85.9	10.1	96.0

16 INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	31 December 2023 £'m	30 November 2022 £'m
At beginning of year (1 December)	19.0	19.0
At end of year	19.0	19.0
Net book value of investment	19.0	19.0

The Company owns 100% (2022: 100%) of the ordinary share capital of AIG Europe (Services) Limited.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

Subsidiary	Principal activity	Registered office	Proportion of ownership	
			2023	2022
AIG Europe (Services) Limited	Administrative services	The AIG Building, 58 Fenchurch Street, London EC3M 4AB	100.0%	100.0%

17 OTHER FINANCIAL INVESTMENTS

17.1 Analysis

	Amortised cost or cost £'m	Unrealised gains £'m	Unrealised losses and impairment £'m	Total £'m
At 31 December 2023				
Available-for-sale debt securities and other fixed income securities:				
Government and governmental agencies	1,761.3	1.4	(123.0)	1,639.7
Corporate debt	2,694.6	23.0	(140.9)	2,576.7
RMBS	86.8	-	(1.0)	85.8
CMBS	94.6	0.1	(1.9)	92.8
CDO/ABS	109.9	0.3	(0.3)	109.9
Mutual funds	21.0	-	-	21.0
Total debt securities and other fixed income securities at available-for-sale	4,768.2	24.8	(267.1)	4,525.9
Available-for-sale equity instruments:				
Equity instruments	37.7	11.8	-	49.5
Total equity securities at available-for-sale	37.7	11.8	-	49.5
Total debt securities and equity securities	4,805.9	36.6	(267.1)	4,575.4
Loans and Receivables:				
Loan participations	262.7	-	-	262.7
Total loans and receivables at cost	262.7	-	-	262.7
Total	5,068.6	36.6	(267.1)	4,838.1

Included in the analysis of fair value of financial investments are tied assets required for regulatory purposes as restricted assets against insurance liabilities. The debt securities pledged as restricted assets are held in separate custodian accounts; however, as substantially all of the risks and rewards of ownership of these investments have been retained by the Company, the investments have not been derecognised. The total amount of debt securities pledged at 31 December 2023 was £328.7 million (2022: £365.1 million) with further detail disclosed in note 26.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

	Amortised cost or cost £'m	Unrealised gains £'m	Unrealised losses and impairment £'m	Total £'m
At 30 November 2022				
Available-for-sale debt securities and other fixed income securities:				
Government and governmental agencies	2,121.9	0.1	(164.3)	1,957.7
Corporate debt	2,562.3	0.4	(236.2)	2,326.5
RMBS	-	-	-	-
CMBS	12.3	-	(1.1)	11.2
CDO/ABS	32.4	-	(1.9)	30.5
Total debt securities and other fixed income securities at available-for-sale	4,728.9	0.5	(403.5)	4,325.9
Available-for-sale equity instruments:				
Equity instruments	30.5	10.5	0.2	41.2
Total equity securities at available-for-sale	30.5	10.5	0.2	41.2
Total debt securities and equity securities	4,759.4	11.0	(403.3)	4,367.1
Loans and Receivables:				
Loan participations	344.6	-	-	344.6
Total loans and receivables at cost	344.6	-	-	344.6
Total	5,104.0	11.0	(403.3)	4,711.7

17.2 Impairment of financial investments – evaluating investments for impairment

Fixed maturity securities

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

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

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

The disappearance of an active market or the downgrade of an entity's credit rating is not in itself evidence of impairment, although it may be evidence of impairment when considered with other information. For available for sale fixed maturity securities, if there is objective evidence that an impairment loss on the security has been incurred and a decline in the fair value of an AFS security has been recognised in OCI, the cumulative loss that has been recognised in OCI is reclassified to profit or loss (i.e. realised capital gains and losses). The cumulative loss is the difference between the amortised cost and the current fair value of the security, less any impairment loss on the security previously recognised in profit or loss (i.e. realised capital gains and losses). The value of impairment for the period ended 31 December 2023 was £3.8 million (2022: £nil) which is reported within Investment expenses and charges.

18 REINSURERS SHARE OF TECHNICAL PROVISIONS

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

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

	31 December 2023 £'m	30 November 2022 £'m
Reinsurers' share of provisions for claims		
Claims reported	952.6	767.3
Claims incurred but not reported	1,401.5	1,051.5
Loss adjustment expenses	28.6	36.9
Total	2,382.7	1,855.8
Reinsurers' share of unearned premiums	660.3	638.2
Total reinsurance assets	3,043.0	2,494.0
Amounts to be settled within one year	947.1	744.2
Amounts to be settled after one year	2,095.9	1,749.8
Total	3,043.0	2,494.0

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

19 OTHER DEBTORS – INCLUDING INSURANCE RECEIVABLES

	31 December 2023 £'m	30 November 2022 £'m
Debtors arising out of direct insurance operations:		
Due from policyholders	968.7	954.1
Due from related parties	9.7	84.1
	978.4	1,038.2
Debtors arising out of reinsurance operations		
Due from policyholders	9.4	90.1
Due from related parties	369.6	435.1
	379.0	525.2
Other debtors:		
Other	15.0	18.1
Other - due from related parties	35.3	85.6
	50.3	103.7
Total debtors	1,407.7	1,667.1
Amounts to be settled within one year	1,142.2	1,662.4
Amounts to be settled after one year	265.5	4.7
	1,407.7	1,667.1

20 OTHER ASSETS

20.1 Cash at bank and in-hand

	31 December 2023 £'m	30 November 2022 £'m
Cash at bank	161.4	140.9
Short term deposits	123.6	191.6
	285.0	332.6

The effective interest rate on short-term deposits with credit institutions was 5.40% (2022: 4.22%) and has an average maturity of 8.3 days (2022: 12.5 days).

20.2 Other

	31 December 2023 £'m	30 November 2022 £'m
Amounts due from Brokers on investments	0.9	0.8
Third Party Claims Advances	50.0	44.8
Pension asset (note 20.3)	18.5	23.8
Other Assets	-	2.3
	69.4	71.7

The Amounts due from Brokers on Investments in 2023 was driven by an open receivable relating to a duration shortening USD trade which transacted at the year end.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

20.3 Pension asset

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

The AIG Pension Plan (hereafter referred to as "the UK Plan"), is a group plan for UK based employees. The UK Plan closed to future accrual on 31 October 2012. Since that date the service cost payable by the Company has been limited to the administration expenses for the UK Plan only. For the period-end 31 December 2023, administration expenses are reported as a separate line item in the pension expense. The Company paid administration expenses and deficit contributions of £0.8 million (2022: £0.5 million). A link to salary has been maintained for active members of the UK Plan at the closure. All active employees accrue benefits on a defined contribution basis in The AIG Retirement Savings Plan.

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

The last formal funding valuation for the UK Plan was carried out as at 5 April 2022. A roll-forward valuation was performed at 31 December 2023 which showed a surplus of assets over liabilities at that time of £24.8 million. The Company also makes payments to the Plan of £40.2k each month in respect of administration expenses.

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

The following disclosures are presented in accordance with FRS 102.

Membership Details

Membership details and plan position	31 December 2023		30 November 2022	
	Number of Members	£'m	Number of Members	£'m
Active members	10	(4.0)	19	(7.0)
Deferred members	234	(35.2)	280	(36.6)
Pensioners	355	(48.8)	329	(53.2)
	599	(88.0)	628	(96.9)
Plan assets		106.5		120.7
Net asset - funded pension plan		18.5		23.8

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

Movement in the Plan

The following table discloses the movement in the pension plan.

Movement in the UK plan	Plan liabilities	Plan assets	Net asset
	£'m	£'m	£'m
Net asset at 1 December 2021	(152.6)	184.6	32.0
Loss on plan changes	(0.5)	-	(0.5)
Interest expense on plan liabilities	(2.5)	-	(2.5)
Benefits paid	5.6	(5.6)	-
Effect of changes in assumptions	56.2	-	56.2
Effect of experience adjustments	(3.1)	-	(3.1)
Interest income on plan assets	-	2.9	2.9
Employer contributions	-	0.4	0.4
Administrative expenses	-	(0.5)	(0.5)
Return on plan assets	-	(61.1)	(61.1)
Net asset at 30 November 2022	(96.9)	120.7	23.8
Interest expense on plan liabilities	(4.6)	-	(4.6)
Benefits paid	4.8	(4.8)	-
Effect of changes in assumptions	7.8	-	7.8
Effect of experience adjustments	0.9	-	0.9
Interest income on plan assets	-	5.7	5.7
Employer contributions	-	0.5	0.5
Administrative expenses	-	(0.8)	(0.8)
Return on plan assets	-	(14.8)	(14.8)
Net asset at 31 December 2023	(88.0)	106.5	18.5

Actuarial Assumptions

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

Valuations and Assumptions

The valuations calculated for the purposes of FRS 102 have been based upon the most recent full actuarial valuation, updated in accordance with the requirements of FRS 102 to determine the liabilities and assets of the plan at 31 December 2023 and 30 November 2022.

The main actuarial assumptions that have a material impact on the valuation of the scheme liabilities under FRS 102 are (per annum):

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

Actuarial assumptions	31 December 2023 %	30 November 2022 %
Pensionable salary increases	2.50%	2.25%
Pension increases	3.25%	3.00%
Inflation rate	RPI: 3.25%	RPI: 3.00%
	CPI: 2.50%	CPI: 2.25%
Discount rate	5.31%	4.50%

Mortality assumption	<p style="text-align: center;">Non Pensioners: 97% S3PMA Light Tables for males/89% S3PFA middle tables for females Pensioners: 101% S3PMA light tables for males/90% S3PFA middle tables for females CMI projections (2021 model) converging to long term rate of 1.75% p.a. for males and 1.50% for females (Sk = 7.5, A=0, zero weighting to 2020 and 2021 data)</p>	<p style="text-align: center;">99% Males S3PA Light Tables / 85% Females S3PA Middle Tables with CMI projections (2018 model) converging to long term rate of 1.75% p.a. for Males and 1.5% p.a. for Females (Sk = 7.5)</p>
----------------------	---	---

Mortality

The following table shows the average life expectancy at 31 December 2023 and 30 November 2022:

Mortality table	31 December 2023 Years	30 November 2022 Years
Life expectancy/pension duration at age 65 of a male member		
Retiring today	23.8	24.0
Retiring in 25 years	26.4	26.5
Life expectancy/pension duration at age 65 of a female member		
Retiring today	25.0	25.5
Retiring in 25 years	27.3	27.7

Sensitivity to Key Assumptions

The discount rate and mortality are the two assumptions that have the most significant impact on the value of the plan's liabilities. In addition, the sensitivity to the inflation assumption has also been considered. The following table sets out the resulting liability after a 0.25% increase/(decrease) in the discount and inflation rate is applied to the plan.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

	31 December 2023 £'m	30 November 2022 £'m
Sensitivity table		
Defined benefit obligation	88.0	96.9
Discount rate		
0.25% increase	85.7	94.0
0.25% decrease	90.5	99.9
Inflation rate		
0.25% increase	89.9	99.3
0.25% decrease	86.3	94.6
Post-retirement mortality assumption plus 1 year	89.9	99.0

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

Pension Credit/(Charge)

	31 December 2023 £'m	30 November 2022 £'m
Analysis of amounts credited to/(charged to) Statement of Comprehensive Income		
Gain on plan changes	-	0.5
Interest expense on plan liabilities	4.6	2.5
Interest income on plan assets	(5.7)	(3.0)
Total net interest cost	(1.1)	-
Administrative expenses and taxes	0.8	0.5
Total pension credit/(charge)	(0.3)	0.5

	31 December 2023 £'m	30 November 2022 £'m
Analysis of amounts credited to/(charged to) Other Comprehensive Income		
Actual return on those assets	(14.8)	(61.2)
Effect of experience adjustments	0.8	(3.5)
Effect of changes in assumptions	7.8	56.6
Total pension credit/(charge)	(6.2)	(8.1)

For the year ended 31 December 2024, expected employer contributions into the plan are £0.4 million.

Plan Assets

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

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

	31 December 2023 £'m	30 November 2022 £'m
Plan assets - quoted		
Debt securities	102.0	110.4
Equity instruments	4.0	8.7
Cash and cash equivalents	0.5	1.6
Total	106.5	120.7

21 CAPITAL AND RESERVES

21.1 Called up share capital and share premium

Ordinary shares at £1 each	Number	Share capital £'m	Share premium £'m
At 1 December 2021	15,319,873	15.3	1,063.7
Shares issued in year	-	-	-
At 30 November 2022	15,319,873	15.3	1,063.7
Shares issued in year	-	-	-
At 31 December 2023	15,319,873	15.3	1,063.7

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

21.2 Other reserves

Other Reserves	Currency translation reserve £'m	AFS fair value reserve £'m	Other £'m	Total other reserves £'m
At 1 December 2021	(38.2)	51.7	(30.2)	(16.7)
Fair value gains and losses	-	(337.1)	-	(337.1)
Foreign exchange movements	117.0	-	-	117.0
Other reserves	-	-	(3.1)	(3.1)
At 30 November 2022	78.8	(285.4)	(33.3)	(239.9)
Fair value gains and losses	-	115.7	-	115.7
Foreign exchange movements	(66.9)	-	-	(66.9)
Other reserves	-	-	(4.2)	(4.2)
At 31 December 2023	11.9	(169.7)	(37.5)	(195.3)

- **Currency translation reserve** relates to foreign exchange gains and losses, and associated tax, arising from translation of the Company's Lexington business division results and financial position from its functional currency of US dollar to the Company's presentational currency of GBP.
- **AFS Fair Value Reserve** includes mark-to-market valuation gains and losses on available for sale investments and associated tax.
- **Other reserves** relate to the other comprehensive income and associated tax not reported in other reserve categories (and excluding actuarial gains and losses on defined benefit schemes). This includes the reimbursement by the Company for equity-settled share-based payment awards issued by AIG Inc. This is a separate transaction to the initial share-based payment award which is recorded within profit and loss account.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

21.3 Profit and loss account

	£'m
At 1 December 2021	835.1
Profit for the year	183.6
Other comprehensive income	(8.1)
Equity settled share based payment schemes	3.3
At 30 November 2022	1,013.9
Profit for the year	143.1
Other comprehensive income	(5.4)
Equity settled share based payment schemes	3.7
Dividend	(200.0)
At 31 December 2023	955.3

The aggregate amount of dividends paid in the year was £200 million (2022: £nil). As at 31 December 2023 there are no dividends the company is liable to pay nor proposed (2022: £nil).

22 TECHNICAL PROVISIONS

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

The company reserving policy is to hold a total reserve to include an Actuarial Best Estimate ("ABE") and where appropriate an additional Management Best Estimate ("MBE"). The introduction of a MBE would be a suggestion from the Reserves Committee to the Board of a reserve in excess of the ABE for local reporting.

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

Included within claims incurred but not reported (IBNR) is £75 million (2022: £77 million) of unallocated loss adjustment expenses. Outstanding claims provisions based on undiscounted estimates of future claims payments totalling £238.7 million (2022: 195.2 million) are subject to discounting under AIG policy.

Discount rates of 5.0% (2022: 4.0%) for Periodical Payment Orders and 1.7% (2022: 1.7%) on future policy benefits were applied in 2023 resulting in discounted reserves of £84.4 million (2022: £82.7 million). For Periodical Payment Orders, annual cashflows are generated by estimating the expected annual payment amount up until the expected age of death of the claimant. The discount rate selected is based on recent historical returns on the investment portfolio supporting the PPO liabilities.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

22.1 Analysis of technical provisions

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

	31 December 2023 £'m	30 November 2022 £'m
Gross basis		
Claims reported	2,163.1	2,002.0
Claims incurred but not reported (IBNR)	3,483.7	3,016.3
Loss adjustment expenses	106.0	109.7
Claims outstanding including IBNR and LAE	5,752.8	5,127.9
Unearned premiums	1,349.2	1,336.5
Gross basis	7,102.0	6,464.4
Recoverable from reinsurers		
Claims reported	952.6	767.3
Claims incurred but not reported (IBNR)	1,401.5	1,051.5
Loss adjustment expenses	28.6	36.9
Claims outstanding including IBNR and LAE	2,382.7	1,855.8
Unearned premiums	660.3	638.2
Recoverable from reinsurers	3,043.0	2,494.0
Net basis		
Claims reported	1,210.5	1,234.6
Claims incurred but not reported (IBNR)	2,082.2	1,964.8
Loss adjustment expenses	77.4	72.8
Claims outstanding including IBNR and LAE	3,370.1	3,272.2
Unearned premiums	688.9	698.3
Net basis	4,059.0	3,970.5

22.2 Movements in technical provisions – claims

	Gross £'m	Reinsurance £'m	Net £'m
Claims - movement in 2023			
At 1 December 2022	5,127.9	(1,855.8)	3,272.1
Claims settled in the year	(1,584.5)	761.3	(823.2)
Increase/(decrease) in liabilities			
Arising from current year claims	1,545.5	(855.1)	690.4
Arising from prior year claims	882.2	(572.3)	309.9
Foreign exchange movements	(218.3)	139.2	(79.1)
At 31 December 2023	5,752.8	(2,382.7)	3,370.1
Comprising:			
Reported claims	2,269.1	(981.2)	1,287.9
Incurred but not reported	3,483.7	(1,401.5)	2,082.2
At 31 December 2023	5,752.8	(2,382.7)	3,370.1

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

Claims - movement in 2022	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2021	4,694.7	(1,680.6)	3,014.1
Claims settled in the year	(1,571.4)	839.4	(732.0)
Increase/(decrease) in liabilities			
Arising from current year claims	1,395.3	(675.3)	720.0
Arising from prior year claims	460.2	(341.7)	118.5
Foreign exchange movements	149.1	2.4	151.5
At 30 November 2022	5,127.9	(1,855.8)	3,272.1
Comprising:			
Reported claims	2,111.6	(804.2)	1,307.4
Incurred but not reported	3,016.3	(1,051.5)	1,964.8
At 30 November 2022	5,127.9	(1,855.8)	3,272.2

22.3 Claims Reserve by Line of Business

	Accident and Health	Motor (Third Party Liability)	Motor (Other Classes)	Marine, Aviation and Transport	Fire and Other Damage to Property	Third Party Liability	Credit and Suretyship	Assistance	Miscell- aneous	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
2023 Claims Reserve (Gross)	72.4	271.9	12.1	514.1	1,472.4	3,250.4	95.6	2.6	61.3	5,752.8
2023 Claims Reserve	74.6	171.9	12.1	304.6	413.6	2,299.0	46.9	2.5	44.9	3,370.1
2022 Claims Reserve (Gross)	71.1	242.5	10.9	620.4	896.4	3,090.3	114.9	7.9	73.6	5,127.9
2022 Claims Reserve	69.5	108.0	8.9	346.7	379.3	2,251.0	46.1	4.4	58.4	3,272.2

22.4 Claims Reserve by Risk Location

	31 December 2023	30 November 2022
	£'m	£'m
United Kingdom	2,335.5	2,218.7
United States of America	654.0	678.8
Other	380.6	374.8
	3,370.1	3,272.2

22.5 Sensitivity Analysis

Although AIGUK takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will be different from the original liability established.

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

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

The ultimate process by which the actual carried reserves are determined takes into account both the actuarial point estimate and numerous other internal and external factors such as claims initiatives and economic conditions. Sensitivity analysis is conducted so that senior management understand the key areas of uncertainties which could potentially lead to the final actual outcome being materially different. Sensitivity testing, alongside scenario testing and stress testing, is performed regularly as part of a continuing exercise of examining and reviewing the materiality and importance of our data, methods, assumptions, and expert judgements. Deterministic analyses are used to measure statistical variances from best estimate assumptions including, but not limited to:

- Business volumes
- General operating expenses
- Gross and RI commissions
- Gross and RI premium rates
- Speed of claims payments
- Claims inflation
- Large loss frequency
- Multi-line events
- Man-made and natural catastrophes
- Prior year reserve development
- Reinsurance recoveries

To monitor the sensitivities on AIGUK's risk profile, profitability and capital adequacy, AIGUK performs a range of tests on both a UK GAAP and Solvency II basis.

Reserves	£'m	Variance to actual reserves			Variance to actual reserves			Variance to actual reserves		
		25th percentile	75th percentile	90th percentile	25th percentile	75th percentile	90th percentile	25th percentile	75th percentile	90th percentile
		£'m	£'m	£'m	£'m	£'m	£'m	%	%	%
Total reserves at 31 December 2023	3,370.1	3,065.9	3,678.0	3,910.4	(304.2)	307.9	540.3	-9.0%	9.1%	16.0%
Total reserves at 30 November 2022	3,272.2	2,982.7	3,549.0	3,799.3	(289.4)	276.9	527.2	-8.8%	8.5%	16.1%

The percentiles shown in the table above are based on our Economic Capital Model which uses reserve risk distributions and correlation assumptions to produce these outputs. In the insurance risk parameterisation process, reserve risk distributions (100,000 simulations) are produced at a line of business level using the claim triangles data. These reserve distributions (by line of business) are then aggregated into total reserve distribution and discussed with the business experts such as Underwriters and Actuaries which provides insights into the business/risk profile and the common risk drivers between the lines of business.

22.6 Loss development tables

The loss development tables presented below show the cumulative provisions for insurance claims, whether reported or not, and related loss adjustment expenses arising for each accident year from 2009 onwards. The historical net insurance claims provision for all outstanding claims arising for accident years prior to 2009 are shown cumulatively as one figure in the right hand column. All amounts shown in the tables have been stated at constant exchange rates based on the rates prevailing at 31 December 2023.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

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

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

Insurance Claims - Gross

Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'m										
Estimate of ultimate claims costs											
At end of accident year	1,276.5	1,455.3	1,466.5	1,477.2	1,941.8	1,460.0	1,421.6	1,386.1	1,641.5	1,782.6	
One year later	1,217.7	1,585.7	1,517.6	1,541.0	2,413.5	1,437.6	1,417.8	1,349.6	1,663.3	-	
Two years later	1,256.8	1,544.0	1,560.9	1,570.2	2,187.0	1,535.7	1,334.3	1,407.8	-	-	
Three years later	1,247.7	1,608.5	1,532.2	1,574.0	2,184.0	1,683.7	1,357.2	-	-	-	
Four years later	1,238.2	1,625.2	1,584.8	1,577.0	2,118.4	1,673.9	-	-	-	-	
Five years later	1,209.9	1,630.9	1,599.8	1,574.2	2,107.8	-	-	-	-	-	
Six years later	1,169.8	1,619.1	1,596.3	1,638.3	-	-	-	-	-	-	
Seven years later	1,183.0	1,601.0	1,635.4	-	-	-	-	-	-	-	
Eight years later	1,240.1	1,593.8	-	-	-	-	-	-	-	-	
Nine years later	1,302.5	-	-	-	-	-	-	-	-	-	
Cumulative claims payments											
At end of accident year	198.8	275.2	285.2	247.9	368.6	357.6	252.0	202.2	236.1	237.1	
One year later	530.8	714.7	791.3	687.0	1,119.4	663.7	571.2	521.5	734.9	-	
Two years later	788.1	956.1	1,027.5	964.9	1,437.8	860.4	727.2	703.5	-	-	
Three years later	887.2	1,096.4	1,165.7	1,131.4	1,577.3	1,153.0	849.8	-	-	-	
Four years later	958.9	1,288.6	1,243.0	1,244.9	1,719.9	1,215.6	-	-	-	-	
Five years later	1,022.2	1,396.8	1,300.0	1,298.7	1,781.3	-	-	-	-	-	
Six years later	1,048.3	1,425.7	1,422.9	1,367.1	-	-	-	-	-	-	
Seven years later	1,078.8	1,445.8	1,475.9	-	-	-	-	-	-	-	
Eight years later	1,202.3	1,470.7	-	-	-	-	-	-	-	-	
Nine years later	1,205.7	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	1,302.5	1,593.8	1,635.4	1,638.3	2,107.8	1,673.9	1,357.2	1,407.8	1,663.3	1,782.6	16,162.6
Cumulative payments to date	(1,205.7)	(1,470.7)	(1,475.9)	(1,367.1)	(1,781.3)	(1,215.6)	(849.8)	(703.5)	(734.9)	(237.1)	(11,041.6)
Claims liability outstanding	96.8	123.1	159.5	271.2	326.5	458.3	507.4	704.3	928.4	1,545.5	5,121.0
Claims liability for prior years											631.8
Total liability included in Balance Sheet											5,752.8

Insurance Claims - Net of Reinsurance

Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Estimate of ultimate claims costs											
At end of accident year	959.2	1,033.1	981.5	998.9	1,038.2	801.3	828.8	780.8	835.9	774.6	
One year later	910.3	1,061.9	975.3	1,005.5	1,091.9	785.1	803.4	770.8	795.0	-	
Two years later	942.3	1,068.4	1,027.1	990.3	1,137.7	826.6	767.1	767.5	-	-	
Three years later	930.7	1,108.3	1,030.2	1,072.4	1,164.6	844.2	782.1	-	-	-	
Four years later	925.4	1,111.0	1,077.8	1,100.9	1,165.0	848.5	-	-	-	-	
Five years later	909.1	1,154.2	1,077.6	1,122.8	1,172.0	-	-	-	-	-	
Six years later	867.6	1,152.5	1,028.8	1,175.3	-	-	-	-	-	-	
Seven years later	895.3	1,181.7	1,049.2	-	-	-	-	-	-	-	
Eight years later	885.0	1,173.5	-	-	-	-	-	-	-	-	
Nine years later	867.8	-	-	-	-	-	-	-	-	-	
Cumulative claims payments											
At end of accident year	148.6	210.0	156.9	185.3	204.3	188.0	160.7	104.2	96.2	77.7	
One year later	384.2	519.5	435.4	472.1	520.5	358.1	330.8	237.5	278.4	-	
Two years later	576.3	702.2	601.2	659.5	655.6	446.3	398.4	335.6	-	-	
Three years later	653.6	804.4	714.4	768.1	754.1	518.7	485.2	-	-	-	
Four years later	704.5	912.3	783.1	858.6	864.3	563.8	-	-	-	-	
Five years later	748.2	1,016.2	812.8	903.7	945.9	-	-	-	-	-	
Six years later	768.2	1,040.8	889.2	960.2	-	-	-	-	-	-	
Seven years later	791.0	1,058.8	925.0	-	-	-	-	-	-	-	
Eight years later	807.2	1,081.2	-	-	-	-	-	-	-	-	
Nine years later	814.4	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	867.8	1,173.5	1,049.2	1,175.3	1,172.0	848.5	782.1	767.5	795.0	774.6	9,405.5
Cumulative payments to date	(814.4)	(1,081.2)	(925.0)	(960.2)	(945.9)	(563.8)	(485.2)	(335.6)	(278.4)	(77.7)	(6,467.4)
Claims liability outstanding	53.4	92.3	124.2	215.1	226.1	284.7	296.9	431.9	516.6	696.9	2,938.1
Claims liability for prior years											432.0
Total liability included in Balance Sheet											3,370.1

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

22.7 Movements in technical provisions – unearned premiums

Premiums - movement in 2023	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2022	1,336.5	(638.2)	698.3
Premiums written during the year	3,222.1	(1,839.1)	1,383.0
Less: premiums earned during the year	(3,177.1)	1,794.0	(1,383.1)
Foreign exchange movements	(32.3)	23.0	(9.3)
At 31 December 2023	1,349.2	(660.3)	688.9

Premiums - movement in 2022	Gross £'m	Reinsurance £'m	Net £'m
At 1 December 2021	1,200.3	(474.5)	725.8
Premiums written during the year	2,840.8	(1,555.2)	1,285.6
Less: premiums earned during the year	(2,783.6)	1,449.2	(1,334.4)
Foreign exchange movements	79.0	(57.7)	21.3
At 30 November 2022	1,336.5	(638.2)	698.3

23 CURRENT AND DEFERRED TAXATION

23.1 Current tax

	31 December 2023 £'m	30 November 2022 £'m
Current tax		
Current tax asset	3.0	9.2
Current tax liability	(1.9)	-
Net current tax	1.1	9.2

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

23.2 Analysis of deferred tax

	31 December 2023 £'m	30 November 2022 £'m
Net deferred tax breakdown		
Property, plant and equipment and intangible assets	6.1	7.6
Pensions and similar obligations	(6.5)	(8.3)
Losses on available for sale investments	61.4	99.9
Share based payments	2.7	2.4
Net deferred tax asset	63.7	101.6

Deferred tax assets and liabilities are recoverable/payable after more than one year.

The company has unrecognised deferred tax in respect of further gross losses carried forward of £14 million (2022: £14 million). The losses originated in Fuji International Company Limited and had been transferred to AIGUK in the year ended 30 November 2018. No deferred tax has been recognised in respect of the losses as their utilisation is uncertain.

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

24 CREDITORS

	31 December 2023 £'m	30 November 2022 £'m
Insurance payables arising out of direct insurance operations:		
Due to intermediaries	101.1	139.3
	101.1	139.3
Insurance payables arising out of reinsurance operations		
Due to policyholders	228.9	294.6
Due to related parties	306.6	397.0
	535.5	691.6
Other creditors including tax and social security		
Due to related parties	251.9	314.9
Other	36.9	98.0
Assets held as collateral - related parties	3.4	2.6
	292.2	415.4
Total creditors	928.8	1,246.3
Amounts to be settled within one year	925.4	1,243.7
Amounts to be settled more than one year	3.4	2.6
	928.8	1,246.3

25 CONTINGENT LIABILITIES

The ultimate parent company, AIG Inc. offers a share-based payment scheme whereby share-based awards are given to certain employees and directors of AIGUK. These are granted by AIG Inc. and the shares have a vesting period of three years, after which recipients still employed by AIG are entitled to receive their shares.

As the Company itself is not a party to these awards and has no obligation to discharge the share-based payment awards as they vest, they are classified as equity-settled share-based payments in the Financial Statements of the Company. There is no liability during the vesting period as there is no certainty that settlement will occur being that the vesting requirement is that the employee remains an employee at the vesting date and this is not within the control of the Company. On this basis, the obligation only crystallises at the vesting date when the conditions have been satisfied. For this reason, this is disclosed as a contingent liability.

26 GUARANTEES AND COLLATERAL

Guarantees are accounted for in accordance with FRS 103 1.7 (d). During the year the Company has been party to various guarantees against the non-payment of contractual obligations, and as a requirement to write public tender business in the US and South Africa. These include automatically extending standby letters of credit which are callable on demand and are issued on the Company's behalf to guarantee the obligations under the respective contract terms including that of another AIG Group company AIG South Africa Ltd. As the likelihood of payments being made under these arrangements is currently remote no associated liabilities have been recognised in the Balance Sheet at 31 December 2023 (30 November 2022: £nil).

A charge of £0.8m, in favour of J.P. Morgan Chase Bank NA, London Branch (the 'Custodian') exists over any cash or securities held by the Custodian as security for:

American International Group UK Limited
Annual Report and Financial Statements 31 December 2023

Notes to the Financial Statements for the period ended 31 December 2023

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

In addition to the above, there is an agreement where collateral is held in trust with Investors Services Trust, Deutsche Bank Trust Company Americas, and the Bank of New York Mellon valued at £328.7 million (30 November 2022: £337.4 million).

27 OPERATING LEASE COMMITMENTS

At 31 December 2023, the Company had annual commitments in respect of non-cancellable operating leases. The Company is committed to payments in 2024 which are expected to be £2.2 million (2022: £2.2 million). The total of future minimum lease payments under non-cancellable operating leases on land and buildings is £52.7 million (2022: £50.1 million), as analysed in the table below:

Future minimum lease payments	Not later than one year £'m	Later than one year and not later than five years £'m	Later than five years £'m	Total £'m
At 31 December 2023	2.2	4.0	46.5	52.7
At 30 November 2022	2.2	4.6	43.3	50.1

The above includes lease amounts due to the City Of London in respect of the lease for the land on which the Fenchurch Street Office is located.

The Company expects to receive total future sublease payments of £1.5 million (2022: £3.2 million) in relation to non-cancellable operating leases on properties. An amount of £0.9 million expected in one year and £0.6 million between 2 to 5 years.

28 PARENT UNDERTAKINGS

The Company is a wholly owned subsidiary of AIG Holdings Europe Limited, an entity incorporated in the United Kingdom and registered as 09976229 which owns 100% (2022: 100%) of the share capital.

The ultimate parent undertaking and controlling party is AIG Inc., a company incorporated in the State of Delaware, United States of America. The Company is consolidated into the financial statements of AIG Inc. which forms the smallest and largest group to consolidate these financial statements at 31 December 2023. The registered address of AIG Inc. is 251 Little Falls Drive, Wilmington DE 19808, United State of America. Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, American International Group UK Limited, The AIG Building, 58 Fenchurch Street, London EC3M 4AB.

29 EVENTS AFTER THE REPORTING YEAR

A dividend payment of £100 million to the sole shareholder AIG Holdings Europe Limited was approved by the Board on 18 March 2024 and made on 26 March 2024.