

Registered Number: 01815126



**XL Insurance  
Reinsurance**

**CATLIN UNDERWRITING AGENCIES LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2019**

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**CATLIN UNDERWRITING AGENCIES LIMITED**

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**CATLIN UNDERWRITING AGENCIES LIMITED**

**COMPANY INFORMATION**

Directors and officers at the date that the report is signed:

**DIRECTORS**

M Cummings  
R Littlemore  
L Prato  
C Ighodaro (Non-Executive)  
B Joseph (Non-Executive)  
B Poupart-Lafarge (Non-Executive)  
J Vereker (Non-Executive)  
J Weatherstone (Non-Executive)  
P Wilson (Non-Executive)

**COMPANY SECRETARY**

M L Rees

**Registered NUMBER**

01815126

**REGISTERED OFFICE**

20 Gracechurch Street  
London  
EC3V 0BG  
United Kingdom

**INDEPENDENT AUDITORS**

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

# CATLIN UNDERWRITING AGENCIES LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic Report for the year ended 31 December 2019.

### BUSINESS REVIEW

The principal activity of Catlin Underwriting Agencies Limited (CUAL or the Company) continues to be that of a managing agent at Lloyd's, managing Syndicates 2003, 3002 & 6111. The Directors consider the level of activity to be in line with expectations and the year-end financial position to be satisfactory.

A Special Purpose Arrangement (SPA) has been established by third-party capital provider to underwrite Whole Account Quota Share (WAQS) reinsurance of Syndicate 2003. SPA 6111 was established from the 2012 year of account. The Special Purpose Arrangement (SPA) has been managed by the Company and have generated fees and commissions payable to the Company.

The 2018 underwriting year is the last year of participation for SPA 6111. From the 2019 underwriting year SPA 6111 ceased to underwrite the WAQS reinsurance of Syndicate 2003.

### FINANCIAL KEY PERFORMANCE INDICATORS

Key performance indicators (KPIs) are factors by reference to which the performance or position of the business of the Company can be measured effectively. Management monitor the progress of the Company by reference to the following KPIs:

	2019	2018
	£	£
Operating (Loss)/Profit	(193,431)	5,582,518
Net current assets	87,285,004	87,441,683
Lloyd's Annual Financial Return (AF1) net current assets margin	87,202,472	84,564,847

From 2019 onwards, Managing agency fees are charged at a Fixed rate i.e. £350k for Syndicate 2003 & £35k for Syndicate 3002. Until 2019, Managing agency Fees were charged at 1% of the Syndicate capacity. Similarly the group expense recharge model has been adjusted to closely reflect the amount of work performed and create greater symmetry with revenue fees charged. These changes were formally approved by the Board members.

### STATEMENT BY THE DIRECTORS OF THEIR PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) OF COMPANIES ACT 2006

The Board of Directors of CUAL consider that both individually and collectively, they have acted in a 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 (having regard to the Company's relevant stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2019).

An overview of how the Directors have discharged their statutory duties is set out below. The Directors fulfil their duties partly through a governance framework that delegates day to day decision making to executive and senior management of the Company.

### Long-Term View, Purpose and Strategy

Our annual strategic planning cycle is designed to consider the most appropriate actions the Company should take over the longer-term, which will contribute to the Company's success. Performance against key strategic metrics are monitored and assessed for appropriateness, at regular intervals. The Company holds an annual strategy day in June at which the Board of Directors reviews and considers the Company's strategic priorities, purpose and parameters. The Board of Directors agreed the Company's key strategic priorities for 2020 and 2021 at its meeting in September 2019. It supported maintaining a material, profitable and balanced portfolio and utilising Lloyd's of London for its brand to support insurance and reinsurance accounts that would be difficult to write on other AXA XL UK legal entities as well as portfolios that benefit Lloyd's capital, flexibility and support innovations / new products.

## CATLIN UNDERWRITING AGENCIES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

#### STATEMENT BY THE DIRECTORS OF THEIR PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) OF COMPANIES ACT 2006 (CONTINUED)

##### **Our People**

Our purpose and values are to put the customer first, act with integrity, have the courage to speak our mind and act to make things happen. The value of being "One AXA" means that being together and being different is what makes us better.

The Company operates within the framework of AXA XL's service company model and is the recipient of services provided by one of its sister companies. Although it does not have any employees, the Company's Governance Committee, a committee of the Board of Directors, monitors people-related issues and the Company's culture on a quarterly basis through regular reporting to it by the UK HR Director on the results of quarterly employee surveys and other items, such as annual gender pay gap reporting in the UK.

##### **Our Impact on the Community and the Environment**

In alignment with other entities in the AXA XL division, the Company has regard for the impact its operations have on the community and the environment.

Striving to achieve a balance between economic, social and environmental activity is in the long-term interests of the Company, the AXA XL division and the communities in which they operate.

The AXA XL division supports a Global Day of Giving in which its people spend a day per year donating their time and skills in the communities in which they work and give.

The Company complies with the requirements of the Modern Slavery Act 2015. Together with other AXA XL companies to which the Modern Slavery Act 2015 applies, the Company publishes an annual Slavery and Human Trafficking Statement.

As part of the AXA XL division, the Company monitors its carbon footprint on an annual basis. It is now developing a carbon reduction strategy, focused on reducing direct emissions and electricity usage, exploring "green alternatives" for power and travel, and educating and engaging its workforce on this issue. It is also pursuing several ongoing energy reduction and recycling initiatives, such as use of sensor-based lighting, and providing recycling bins throughout offices for colleagues to sort their recyclable waste accordingly.

##### **Maintaining a reputation for high standards of business conduct**

The Company's commitment to ethical conduct is set out in more detail in the the AXA XL division's Code of Conduct and Code Supplement which the Board of Directors reviews on an annual basis. Policies with respect to anti-corruption and anti-bribery are contained in the Code of Conduct and Code Supplement. Failure to comply with these policies is taken very seriously and may result in disciplinary action, including but not limited to dismissal.

##### **Engaging with our shareholder**

The Company has identified one of its key strategic priorities as innovation and working with the AXA Group, being the Company's ultimate shareholder, and its network. Various initiatives were pursued throughout the year, including working with colleagues at AXA GI in the UK to demonstrate our combined offering as "One AXA" and to assess opportunities for mutual growth.

A Non-Executive Director from another part of the AXA Group was appointed in the course of the year, partly to allow for insight into operational thinking, practice and philosophy from a different part of the AXA Group.

##### **Engagement with suppliers, customers and others in a business relationship with the company**

Pursuant to The Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to report on its engagement with suppliers, customers and others. The Company considers that this reporting requirement is fulfilled by the reporting provided in the section 172 statement. Its key stakeholders are its shareholder, its regulators, its policy-holders and intermediaries with which it does business.

**CATLIN UNDERWRITING AGENCIES LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The process of risk management is addressed through a framework of policies, procedures and internal controls, in line with the wider AXA XL, a division of the AXA SA group of companies, that aims to integrate existing risk programs into a more holistic embedded Group-wide risk and capital management framework.

The Directors have considered all financial risks of the Company. The majority of the Company's financial assets are comprised of amounts receivable from group undertakings. The trading activity of the Company is minimal and adequate funds are available to meet all future liabilities. The Directors do not believe that there are any significant interest rate, currency, liquidity, credit or price risks. Therefore, the Board consider the Company to have minimal exposure to financial risks.

This report was approved by the Board and signed on its behalf by:



**M Cummings**  
Director  
28 May 2020

## CATLIN UNDERWRITING AGENCIES LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

#### DIRECTORS

The Company Directors who held office during the year and up to the date of signing the annual accounts were:

P Bradbrook		Resigned on 14th April 2020
M Cummings		Appointed on 14th April 2020
P Greensmith		Resigned on 21st April 2020
R Littlemore		
L Prato		Appointed 27 June 2019
C Ighodaro	(Non-Executive)	
B Joseph	(Non-Executive)	
B Poupart-Lafarge	(Non-Executive)	Appointed 27 November 2019
J Vereker	(Non-Executive)	
J Weatherstone	(Non-Executive)	Appointed 11 February 2020
P Wilson	(Non-Executive)	

#### STRATEGY AND FUTURE OUTLOOK

CUAL's strategy is to leverage the inherent strengths of the Lloyd's market to write a portfolio of business that provides a better return than the market over the underwriting cycle. We aim to differentiate ourselves through offering underwriting excellence in specialised areas of insurance and reinsurance. Our objective to support our underwriters with a flexible underwriting environment, superior analytics, efficient claims handling and a robust Enterprise Risk Management framework will continue.

The Syndicate focus is to continue sustainable and disciplined growth through our Specialty, P&C and Reinsurance business lines. By using effective distribution channels, we will continue to offer a suite of products and services to meet the evolving needs of our clients, and contribute to AXA's "Ambition 2020" plan. The Syndicate is an important part of AXA SA business model transformation to anticipate the evolving needs of the customer and match this through its preferred segments which include P&C commercial lines. The Syndicate continues to provide AXA SA with a diversified and scalable operation to service international based risks and clients.

The Syndicate continues to purchase a Whole Account Stop Loss reinsurance contract from XL Bermuda Ltd. The Syndicate will selectively focus on growth opportunities with the emphasis on bottom line profitability.

The Lloyd's market has established a Lloyd's Brussels subsidiary which is a fully regulated insurance company, with a robust corporate structure, compliant with the regulator's requirements and capitalised according to Solvency II rules. This structure provides the market with a solid platform on which to continue to trade with, and grow in, the European Union providing access to all twenty-seven EU and three EEA countries via the existing distribution channels of brokers, coverholders and syndicates.

Since December 2019, a significant number of cases of pneumonia associated with the Coronavirus, now called COVID-19 by the World Health Organization (WHO), have been reported worldwide. Initially reported in the province of Hubei in the People's Republic of China, it has spread across other countries, resulting in reported infections and deaths in numerous countries, including South Korea, Iran, Italy, Spain, France, the United Kingdom and the United States, and new cases and fatalities are reported daily. Furthermore, it is currently not possible to know or predict the extent to which the current levels of reported cases reflect the actual transmission of the virus within populations, and accordingly the scale of the pandemic may be significantly larger than what is presently recorded. The spread of COVID-19 has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope, led to significant disruptions in the global travel and hospitality industries, and in global trade and supply chains more broadly, resulted in decreased economic activity and lowered estimates for future economic growth, created severe strains on local, national and supranational medical and health care systems and institutions; and caused global financial markets to experience significant volatility and the worst downturn since the 2008 financial crisis.

## CATLIN UNDERWRITING AGENCIES LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

#### STRATEGY AND FUTURE OUTLOOK (CONTINUED)

This has been treated as a non-adjusting event as it was declared a pandemic after December 31, 2019, as such it has not been taken account of in the recognition and measurement of the Company's assets and liabilities at December 31, 2019. It is too early to estimate the impact of COVID-19 at the date of this report, but taking account of current laws and regulations, the directors do not expect it to materially impact the Company's ability to satisfy the minimum capital requirement over the period of assessment.

#### Corporate Governance Statement

Pursuant to The Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to incorporate a statement of corporate governance arrangements in its Directors' Report, stating which corporate governance code the Company applied during the financial year, how it was applied and if it was departed from, the respects in which it did so and its reasons for so departing.

The Board of Directors has adopted the Wates corporate governance principles for large private companies subject always to the continuing applicability of, and compliance with, other sources of corporate governance identified by its regulators as being applicable to the Company.

The Company's section 172 statement demonstrates the fulfillment of the many of the Wates corporate governance principles.

With respect to additional reporting required, the Board of Directors completed an internal evaluation of its effectiveness in June 2019 and monitors the key action points arising from that review through delegation to the Company's Governance Committee. The Company has adopted a diversity policy which is reviewed on an annual basis. The roles of Chair of the Board of Directors and Chief Executive Officer are separate. The Chair of the Board of Directors was considered to be independent on appointment and was supported by five independent Non-Executive Directors during the financial year.

The Board of Directors is supported by an Audit Committee, a Board Risk and Reserving Committee and a Governance Committee which report to it and have terms of reference setting out the delegations of authorities to them. Risk and internal control frameworks are closely monitored by the relevant Board committees and the Board of Directors, where appropriate. As a subsidiary company, executive remuneration structures are largely controlled by its parent companies. However, the Governance Committee received a presentation on AXA XL Remuneration Policy and Risk Management during the financial year, gave feedback for the purposes of the performance appraisals of the Executive Directors and considered all matters relating to remuneration required by its regulators.

#### DIVIDENDS

No interim dividend was paid and the Directors do not propose to pay a final dividend (2018: £nil).

#### INDEPENDENT AUDITORS

The shareholders have dispensed with the requirements to hold Annual General Meetings and appoint auditors annually, through an elective resolution. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:



**CATLIN UNDERWRITING AGENCIES LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)**

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

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

The Directors are 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.

**STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS**

Each of the persons who is a Director at the time when this Directors' Report is approved has confirmed that:

- as far as each Director is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2019 of which the auditors are unaware; and
- that each Director has taken all the steps that ought to have been taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:



**M Cummings**  
Director  
28 May 2020

## CATLIN UNDERWRITING AGENCIES LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATLIN UNDERWRITING AGENCIES LIMITED

#### Report on the audit of the financial statements

##### Opinion

In our opinion, Catlin Underwriting Agencies Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of profit or loss, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### Conclusions relating to going concern

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

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

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

##### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## CATLIN UNDERWRITING AGENCIES LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATLIN UNDERWRITING AGENCIES LIMITED

#### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

##### **Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andrew Moore (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
28 May 2020

**CATLIN UNDERWRITING AGENCIES LIMITED**

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	2	784,045	15,787,140
Other operating income	2	242,084	242,044
Administrative expenses		(1,219,560)	(10,446,666)
<b>OPERATING (LOSS)/PROFIT</b>	3	<b>(193,431)</b>	<b>5,582,518</b>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(193,431)</b>	<b>5,582,518</b>
Tax on (loss)/profit	5	36,752	(1,060,678)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<b>(156,679)</b>	<b>4,521,840</b>

All amounts relate to continuing operations.

There were no recognised gains and losses other than those included in the Statement of Profit or loss.

There are no material differences between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the financial year stated above and their historical cost equivalents.

**CATLIN UNDERWRITING AGENCIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 1 January 2018</b>	400,000	82,519,843	82,919,843
Profit for the year	-	4,521,840	4,521,840
<b>Balance as at 31 December 2018</b>	<u>400,000</u>	<u>87,041,683</u>	<u>87,441,683</u>
Loss for the year	-	(156,679)	(156,679)
<b>Balance as at 31 December 2019</b>	<u><u>400,000</u></u>	<u><u>86,885,004</u></u>	<u><u>87,285,004</u></u>

**CATLIN UNDERWRITING AGENCIES LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>CURRENT ASSETS</b>			
Debtors	6	85,723,882	110,815,091
Cash and cash equivalents		<u>2,788,029</u>	<u>280,068</u>
		<u>88,511,911</u>	<u>111,095,159</u>
<b>CREDITORS: amounts falling due within one year</b>	7	<u>(1,226,907)</u>	<u>(23,653,476)</u>
<b>NET CURRENT ASSETS</b>		<u>87,285,004</u>	<u>87,441,683</u>
<b>NET ASSETS</b>		<u>87,285,004</u>	<u>87,441,683</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	400,000	400,000
Profit and loss account		<u>86,885,004</u>	<u>87,041,683</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>87,285,004</u>	<u>87,441,683</u>

The financial statements on pages 10 to 18 were approved by the Board of Directors and signed on its behalf by :



**M Cummings**  
Director  
28 May 2020

# CATLIN UNDERWRITING AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 ACCOUNTING POLICIES

#### 1.1 Basis of preparation

Catlin Underwriting Agencies Limited (CUAL or the Company) is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of the registered office is given on Page 1.

These financial statements have been prepared in accordance with the accounting standards in the United Kingdom including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), issued by the Financial Reporting Council and in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) relating to insurance companies and other requirements of the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the previous years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

The preparation of these financial statements required management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies.

#### 1.2 Exemption from preparing cash flow statement

The Company has availed itself of the exemption under FRS 102 section 1 on 'Reduced disclosures for subsidiaries' on the grounds that it is a wholly-owned subsidiary whose ultimate parent is AXA SA (incorporated in France), which prepares a group consolidated cash flow statement in its group consolidated financial statements that are publicly available.

#### 1.3 Exemption from disclosing related party transactions

As the Company is a wholly-owned subsidiary whose ultimate parent AXA SA (incorporated in France), the Company has taken advantage of the exemption contained in FRS 102 section 33 'Related Party Disclosures' from disclosing related party transactions with entities which form part of the AXA SA Group.

#### 1.4 Turnover

Turnover consists of Lloyd's underwriting agency fees and Lloyd's underwriting profit commission. This is the total amount, excluding value added tax, receivable by the Company in the ordinary course of business for goods supplied and for services provided as principal. Lloyd's underwriting agency fees is charged at a fixed rate i.e. £ 350k for Syndicate 2003 & £35k for Syndicate 3002. Lloyd's underwriting profit commission is calculated as a percentage of managed Special Purpose Arrangements' earned profits, subject to the operation of a deficit clause.

The Lloyd's underwriting agency fees are charged to the managed syndicates and allocated to the first twelve months of each underwriting year of account.

#### 1.5 Other operating income

Other income relates to consideration (receivable under a long term service level agreement) from a third party for the provision of certain Claims, Reinsurance, Finance and Actuarial services. The income is dealt with on an accruals basis.

**CATLIN UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 ACCOUNTING POLICIES (CONTINUED)**

**1.6 Foreign currency**

The Company's financial statements are presented in pounds sterling which is the same as its functional currency. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the date of Statement of Financial Position. Transactions in foreign currencies are translated into sterling at the previous month's closing rates as a proxy for the transactional rates. Exchange gains and losses are recognised in the Statement of Profit or Loss.

**1.7 Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years and is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**1.8 Cash and cash equivalents**

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months' maturity from the date of acquisition.

**1.9 Share capital**

Ordinary share are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.



**CATLIN UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**2 TURNOVER**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Agency fees and Profit Commission	<u><b>784,045</b></u>	<u><b>15,787,140</b></u>

The whole of the turnover arises in the United Kingdom.

Other operating income consist of £242,044 related to fees received under a service level agreement (2018: £242,044).

**3 OPERATING (LOSS)/PROFIT**

The operating (loss)/profit is stated after charging the following:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the financial statements	<u><b>13,775</b></u>	<u><b>5,472</b></u>

**4 STAFF COSTS**

The Company has no direct employees neither did it incur staff costs during the year (2018: £nil). The employees that provide services to the Company are employed by other group service company XL Catlin Services SE ("XLCSSSE").

The emoluments of the Directors are paid by XL Catlin Services SE for the services to AXA XL division as a whole.

The Non-Executive directors received fees from the XLCSSSE for their services to the company for being Non-Executive Directors. The total aggregate remuneration received by the Non-Executive Directors was £249k (2018 : £166k) which includes £83k (2018 : £67k) paid to the highest paid director.

No incremental emoluments were received by the Directors or charged to the Company in respect of the services provided by these Directors for the year ended 31 December 2019 (2018: £nil).

**CATLIN UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**5 TAX ON (LOSS)/PROFIT**

**(a) Tax charge/(credit) included in the Statement of Profit or Loss**

	2019	2018
	£	£
<b>Current Tax:</b>		
On (losses)/profits for the year at 19.00% (2018: 19.00%)	<u>(36,752)</u>	<u>1,060,678</u>

**(b) Reconciliation of tax charge**

The tax assessed for the year is same as (2018: same) the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	2019	2018
	£	£
(Loss)/profit before tax	<u>(193,431)</u>	<u>5,582,518</u>
(Loss)/profit multiplied by standard rate of tax in the UK of 19.00% (2018: 19.00%)	(36,752)	1,060,678
<b>Tax charge/(credit) for the year</b>	<u><u>(36,752)</u></u>	<u><u>1,060,678</u></u>

**(c) Tax rate changes**

The standard rate of UK corporation tax is 19% (2018: 19%). In the 2020 Spring Budget it was announced that the previously enacted rate reduction to 17%, which was scheduled to be effective from 1 April 2020, will no longer go ahead and will remain at 19%.

To the extent available, corporation tax receivable/payable will be group relieved at full value. The assessment for group relief will be completed at the time of filing the appropriate tax returns.

**6 DEBTORS**

	2019	2018
	£	£
Profit commission due from managed syndicates	—	1,685,097
Amounts owed by managed syndicates	201,988	14,590,226
Amounts owed by group undertakings	85,521,894	94,494,018
Other debtors	—	45,750
	<u><u>85,723,882</u></u>	<u><u>110,815,091</u></u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Agency fees are payable bi-annually in equal installments and profit commissions are payable when their underwriting year of Account closes.

**CATLIN UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**7 CREDITORS : amounts falling due within one year**

	2019	2018
	£	£
Amounts owed to group undertakings	155,742	20,036,736
Corporation tax	1,024,371	3,579,910
Other Creditors	46,794	36,830
	1,226,907	23,653,476

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**8 Administration expenses**

The recharge of the expenses from the service company (XL Catlin Services SE) to CUAL is through a recharge model across the international network, including UK domiciled entities and the recharge of the costs are dependent on the nature of the service performed for the entity.

**9 CALLED UP SHARE CAPITAL**

	2019	2018
	£	£
<b>Allotted, called up and fully paid</b>		
400,000 (2018 : 400,000) Ordinary shares of £1 each	400,000	400,000

**10 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company is wholly owned subsidiary of Catlin Holdings Limited, a company registered in England & Wales. The company's ultimate parent undertaking is AXA SA, a company incorporated in France.

The smallest undertaking for which the Company is a member and for which group financial statements are prepared is XL Bermuda Limited (XLB), a company registered in Bermuda, and the largest group is AXA SA. The results of the Company are consolidated within the financial statements of AXA SA and XLB. Copies of the audited consolidated financial statements of XLB can be obtained from XL House, One Bermudiana Road, Hamilton HM 11, Bermuda. Copies of the audited consolidated financial statements of AXA SA can be obtained from 25 Avenue Matignon, 75008 Paris, France.

**11 Post balance sheet events**

**11.1 COVID-19**

Since December 2019, a significant number of cases of pneumonia associated with the Coronavirus, now called COVID-19 by the World Health Organization (WHO), have been reported worldwide. Initially reported in the province of Hubei in the People's Republic of China, it has spread across other countries, resulting in reported infections and deaths in numerous countries, including South Korea, Iran, Italy, Spain, France, the United Kingdom and the United States, and new cases and fatalities are reported daily. Furthermore, it is currently not possible to know or predict the extent to which the current levels of reported cases reflect the actual transmission of the virus within populations, and accordingly the scale of the pandemic may be significantly larger than what is presently recorded. The spread of COVID-19 has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope, led to significant disruptions in the global travel and hospitality industries, and in global trade and supply chains more broadly, resulted in decreased economic activity and lowered estimates for future economic growth; created severe strains on local, national and supranational medical and health care systems and institutions, and caused global financial markets to experience significant volatility and the worst downturn since the 2008 financial crisis.

This has been treated as a non-adjusting event as it was declared a pandemic after December 31, 2019, as such it has not been taken account of in the recognition and measurement of the Company's assets and liabilities at December 31, 2019. It is too early to estimate the impact of COVID-19 at the date of this report, but taking account of current laws and regulations, the Directors do not expect it to materially impact the Company's ability to satisfy minimum capital requirement over the period of assessment.

**CATLIN UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**11 Post balance sheet events (CONTINUED)**

**11.2 Ongoing Legal Proceedings**

A disputed claim under a first party policy for damage at a waste-oil-to-biodiesel processing facility, resulted in a New York State Court judgment on March 2020 against Catlin Syndicate Limited (the corporate member of Syndicate 2003) and a number of other underwriters, with Syndicate 2003's share being USD 4.2 million. The insured policyholder subsequently asked the Court to amend the judgment to render it against the Managing Agent, CUAL. Despite CUAL not being a party to the lawsuit and arguments that it would be wrong to do so, the Court amended the judgment so that it is now against CUAL. The judgment has not yet been paid, although security has been posted pending appeal. The legal defence costs are being funded by the corporate member of Syndicate 2003. In the event that the appeal is unsuccessful, any sums which may need to be paid by CUAL (including any additional sums arising out of the on-going proceedings where no judgment has yet been rendered) would be reimbursed by the corporate member of Syndicate 2003 in accordance with the Managing Agent's Agreement. There will therefore be no impact to the net assets of CUAL as a result of this claim.