Company registration number 00423930

FAIRMEAD INSURANCE LIMITED
(FORMERLY LEGAL & GENERAL INSURANCE LIMITED)
ANNUAL REPORT AND FINANCIAL STATEMENTS

2020

for the year ended 31 December

Fairmead Insurance Limited
(formerly Legal & General Insurance Limited)
Contents

Registered office

57 Ladymead, Guildford
Surrey GU1 1DB
Registered in England and Wales No. 00423930

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)

Strategic Report

For the year ended 31 December 2020

The Directors present their Strategic Report on the Company for the year ended 31 December 2020.

Principal activities

Fairmead Insurance Limited (formerly Legal & General Insurance Limited) (the 'Company') is a private limited insurance company authorised in the UK by the Prudential Regulation Authority ('PRA'), and regulated by the Financial Conduct Authority ('FCA') and the PRA. The principal activity of the Company is the transaction of general insurance business in the personal sector marketplace, specifically relating to risk covers for household, short term income protection and pet insurance.

Significant event in the year

The Company was acquired by Allianz on 31 December 2019, and ownership was subsequently transferred to a subsidiary of Allianz, LVGIG in 2020. The Company is part of the wider Allianz Group of companies, whose ultimate parent company is Allianz Societas Europaea SE Group ('Allianz SE Group'). Subsequent to the sale, the Company's name was changed to Fairmead Insurance Limited on 3 January 2020.

Business review

Overview

In 2020, the Company reported a loss before taxation of £53,670k (2019: £57,189k loss before taxation). Household written premiums decreased by 11% as the Company experienced lower renewals as well as new business sales written, whilst there has been a growth in Accident, Sickness and Unemployment ('ASU') and Pet written premiums by 2% and 11% respectively, resulting in total gross written premium of £405,071k in the year (2019: £448,490k).

COVID-19

The development of the Covid-19 pandemic has had a notable impact on the business, but most particularly from an operational perspective. Throughout the pandemic, the Company has continued to provide critical services to customers and during the year rapidly increased its remote working capabilities so a majority of operations can now be carried out remotely. The impact on employees has also been a high priority focus area. This has resulted in the review of our People Policies as the pandemic has developed and measures have been put in place to protect employees' safety and wellbeing.

Our accident, sickness and unemployment ('ASU') product provides fixed monthly payments, for a maximum of 12 months, should the policyholder become unemployed. There has been an estimated £2m increase in net claims during the year compared to normal experience levels, although the potential impact was in part mitigated by the decision taken to pause underwriting new business alongside government actions to support the economy. In addition, the deferred period means that payments only begin after at least 30 days of unemployment, up to a maximum of 180 days. The pandemic has had a sudden and significant impact to the global and UK economy, resulting in increased unemployment which is expected to continue.

The impact on Household and Pet insurance has been less material and indeed increased losses in some perils such as accidental damage have been offset by decreases in other areas such as theft due to an increase in the time policyholders have spent at home. The net impact of Covid-19 on our Household and Pet claims during the year is estimated to be a reduction in the region of £5m compared to normal experience levels.

Reinsurance

The Company has a number of reinsurance arrangements in place. However, the Company has entered into two new treaties which have led to significant changes in the reinsurance balances in the Statement of Financial Position (page 17) and Statement of Comprehensive Income (page 16) in 2020. The first of these is a 100% quota share treaty with its former parent company, Legal & General Assurance Society Limited in respect of specific business with managing general agents ('MGA') effective from 31 December 2019. There was no equivalent treaty active during 2019. The second is a 50% quota share arrangement with Allianz Re Dublin DAC effective from 1 January 2020 covering all lines of business. The Company's quota share arrangement in force during 2019 was a 50% arrangement but only covered household exposures.

Integration of operations

The Company continues to place an emphasis on the integration of the Company's business operations into the wider Liverpool Victoria General Insurance Group Limited (LVGIG) and Allianz Holdings plc group ('Group'). This includes specific plans for the migrations of various books of the Company's business which will result, with the exception of a specific contract with an MGA, in all product lines being in run off by the end of 2021. A consultation exercise has been completed with all affected staff and the Company is supporting individuals at risk of redundancy with outplacement support and redeployment opportunities. The migration plans have driven the requirement to impair the carrying values of the intangible, and plant and equipment assets by £9,066k (2019: £42,636k) and £2,266k (2019: £nil) respectively. Also a net additional unexpired risk reserve of £4,421k (2019: £nil) has been recognised driven by the Company's fixed cost base having less projected future business to be allocated against.

Investment Strategy
Prior to 31 December 2019, the Company's investment strategy was to hold a multi-asset investment portfolio comprising of government bonds, corporate bonds, equities and property. Under this strategy the Company targeted a return of 4.5% pa. As at 31 December 2019, all investments were transitioned into a Legal & General Investment Management ('LGIM') Sterling Liquidity Fund as a condition of the sale of the Company. At the beginning of the year, the investments were transitioned into a portfolio containing Government, Corporate and Covered bonds, managed by investment fund manager, PIMCO Europe Ltd ('PIMCO'). The Company targets a return of 0.9% pa from its current investment portfolio. In 2020, the Company generated returns and net gains on investments totalling £4,098k (2019: £31,324k).

Result for the year and dividend
The results of the Company show a pre-tax loss of £53,670k (pre-tax loss of £57,189k in 2019), details of which are set out on page 16.

The Directors do not recommend any dividend payment in 2020 (2019: £nil). No interim dividends were paid during the year.

Financial key performance indicators
In addition to the pre-tax performance noted above, other key financial measures monitored by the Board of Directors (the 'Board') include Gross Written Premiums ('GWP') as it reflects on the company's ability to attract new and retain existing customers; whilst the Combined Operating Ratio ('COR') reflects the profitability of the policies. These key performance indicators are as follows:

	2020	2019	Commentary
Year end shareholders funds (£`000)	156,957	199,042	The decrease in shareholders funds is due to losses in the year pertaining to lower written premiums but higher claims, and one-off impairment charges on intangible assets, and plant and equipment.
Gross written premium (£`000)	405,071	448,490	During the year the Company has continued to grow its pet offering but has seen reduced sales from household products, particularly in the managing general agent (MGA) and price comparison website segments where rate increases in response to claim pressures have reduced competitiveness in this market. Overall written premium of £405,071k in 2020 is £43,419k lower than in 2019, with the MGA segment accounting for £28,989k of this reduction. Household written premiums decreased by 11% as the Company experienced lower renewals as well as new business sales written, whilst there has been a growth in Accident, Sickness and Unemployment ('ASU') and Pet written premiums by 2% and 11% respectively.
Combined operating ratio ('COR')	132%	114%	The increase in COR is due to higher claims experience and reinsurance costs despite lower net earned premiums in the year.

The COR is:

$$\frac{\text{Total Expenses (excluding impairments, finance costs, investment management expenses and interest receivable)}}{\text{Net Premiums Earned}}$$

Other key performance indicators
The Board also monitor a number of non-financial key performance measures, including:

	2020	2019	Commentary
Gross inforce policies	1,799,392	2,209,993	The decrease in inforce policies is in line with lower overall premiums written in the year.
Average monthly reportable complaints (% of inforce policies)	0.082%	0.071%	The increase stems from the challenges of the COVID-19 pandemic, particularly of embedding remote working during the summer months, despite continued focus on providing timely and high quality customer services. Service levels had improved across all business areas by December.

Principal risks and uncertainties
The Company's business involves the acceptance and management of insurance risk. The process of risk acceptance and risk management is managed through a risk framework, comprising formal committees, risk assessment processes and review functions with formal updates to the Board. A full review of risk is discussed in note 35.

Weather Catastrophe Events
Weather related risk is the largest area of risk faced by an insurer writing household business. The risk of adverse claims experience is fully assessed and reflected in the Company's capital requirement, and reinsurance is in place providing cover up to at least a 1 in 500 year event. However, a severe storm or series of weather events (including prolonged dry weather leading to subsidence) would adversely impact the profitability of the business. If the event was coupled with the default of a reinsurer this could significantly impact the capital available to the Company.

Climate Change
Risk associated with climate change is becoming of increasing importance to regulators, Group and the general public. The Company's insurance risks and asset portfolio have relatively short durations so the Company's exposure to climate change is limited. The increase in the frequency and severity of extreme weather events will be the main risk the Company is exposed to from climate change as a result of its exposure to household lines of business, and is mitigated through the purchase of reinsurance and the regular review of the pricing assumptions. Given the planned migration of certain of the Company's books of business including parts of the household exposure, any future exposure of the Company to climate change is further limited. The impact of Climate change on the entity is reviewed through the Company's risk management procedures and is also being reviewed at a wider group level.

Market and Economic Conditions
Competitor activity and changes in customer buying patterns could impact the achievement of premium sales targets. A number of the Company's business channels have close links to the housing market. Uncertainty in this market would restrict sales opportunities and adversely impact profitability. The Company's strategic focus on household insurance means the Company has limited product diversification, and the income protection products are at risk of being impacted by any downturn in economic conditions. The growth in sales of pet policies in 2020 has gone some way to diversify this risk as the number of households acquiring pets has increased during the pandemic, however household insurance continues to constitute the majority of the Company's business. The main risks associated with pet insurance are an increasing number of competitors and market pricing sensitivities.

The Company is exposed to the impact of adverse economic conditions on its investment portfolio. During the year, the Company's investment portfolio consisted of Government, Corporate and Covered bonds and so the Company's material exposures are to interest rate and credit spread movements. The Company's investment strategy is approved at the Allianz Holdings Finance and Investment Committee (FICo) on which the Company's CFO is a standing attendee and is also reviewed by the Company's Product Investment and Capital Committee (PICC) to ensure that the Company's investments are consistent with the market risk appetite. Adherence with the investment strategy and the market risk appetite is monitored through monthly reporting of risk metrics to the PICC. The Company's portfolio produced positive returns during 2020 due to the reduction in bond yields and the tightening of corporate spreads across multiple sectors.

The Company has reviewed and considered the impact of Brexit and the COVID-19 pandemic on the Company's resources and concluded that neither poses a material threat.

Resources
The Company, as part of a larger Group, actively focuses on retaining the best personnel and ensuring that key dependencies do not arise through employee training and development programmes, remuneration strategies, and succession planning. However, the loss of key personnel may impact earnings in the short term. The migration of the business will result in a number of the Company's staff transferring to support LVGIG business, whereas others are at risk of redundancy. The Company is supporting individuals at risk of redundancy with outplacement support and redeployment opportunities.

Regulation and Legislation
There are a number of aspects to the way in which legislation and regulation impacts the Company's business:

- Government fiscal policy;
- Regulation of product design, marketing, sales and administration; and
- Solvency II and its impact on capital requirements and business risk management.

The Company's activities and strategies are always based upon prevailing legislation and regulation. However, significant changes in legislation, and differing interpretation and application of regulation over time, may have a detrimental effect on the Company's strategy and profitability. Additionally, there is an increasing volume of regulatory and legislative change impacting the financial services sector.

Specifically, there has been an increased focus on the pricing practices of the general insurance market from the FCA during the year. The Company has considered the remedies proposed within FCA's market study report and provided our input to the consultation. Whilst the impact on the Company is under investigation, the planned migration of various of the Company's books of business along with the timeline of implementation of the FCA recommendations is expected to significantly mitigate the proposed impact to the Company of this matter.

The FCA has also issued guidance relating to the insurance value chain. The oversight within the company has been further enhanced and this has given the board assurance that our distribution models are fair. Future exposure to longer value chains is mitigated due to the planned migration of policies from the Company.

Outsourcing and Key Supplier Risk
There are some core Company functions that are outsourced and a reliance on suppliers to satisfy buildings and contents claims. This involves the Company in the management of a number of customer related third party relationships. Despite the rigorous selection process including supplier financial evaluations and the preparation of contingency plans to maintain service levels, the financial failure of a third party or provision of inadequate service could impact the reputation and regulatory compliance of the Company. As part of the sale of the Company to Allianz, the Company has entered into a three year transitional services arrangement with a Legal & General Group company under which, certain services including IT infrastructure, support and maintenance for specified systems are provided. This relationship is subject to dedicated oversight and governance by both the Company and Legal & General to ensure that obligations are met on an ongoing basis and any issues appropriately escalated and resolved.

Digital Risk
As the Company has invested significantly in previous years in digitalising its business, it is inherently exposed to digital risks. The Company is alive to cyber threats, in terms of protecting its customers' data, minimising damage to its reputation and potential for financial loss and is working closely with its business partners to proactively manage emerging threats and to ensure continued compliance with General Data Protection Regulation (GDPR) that was effective from 25 May 2018. The Company encourages all employees to annually complete an online refresher training course with regards to Ditigal Risk.

Section 172(1) Companies Act 2006 ('the Act') Statement and Stakeholder Engagement
This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties. The Directors consider, both individually and collectively, they have acted in a way that, 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 had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year.

The Company's Board meets quarterly, with additional ad hoc meetings held if required. As a result of the governance structure of the Group, of which the Company is a part, some strategic decisions are considered by the board of the Group or its committees (the 'Group Board') to an appropriate extent for the Group as a whole. Certain group stakeholders and their interests (such as employees, community and the environment), which the Company's Directors are required to have regard to, are considered by and actions concerning them determined at a Group Board level rather than an individual subsidiary level.

As a wholly owned subsidiary of the Group which is part of the LVGIG business and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company's Board must have regard to the overall strategy and direction of the Group and of LVGIG, which are complementary. This includes considering the impact on broader stakeholders of the Group, when making decisions.

The Company's Board meets and considers matters in relation to the Company's strategy and operations, including consideration of the interests of its stakeholders including its shareholder, customers, suppliers, regulators and the employees working within its business (which are employed by another entity within the Allianz UK group). Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business.

Stakeholders
This section of the Company's report explains the Company's engagement activities in relation to its shareholder, customers, suppliers and other stakeholders relevant to the Company.

The Board and individual Directors engage with some stakeholders directly on specific issues. This allows the Company to be responsive to stakeholder needs. The Board receives information regarding the Company's business in the form of Board reports and presentations when making decisions and these reports include information about how stakeholder interests have been considered. This provides the Board with an overview of stakeholder interests when making decisions even where they have not engaged directly with those stakeholders themselves.

Shareholders
The Company has regard to the interests of its immediate shareholder, LVGIG and LVGIG's shareholder, Allianz Holdings plc. The Company's strategy is closely aligned to that of LVGIG, including the successful integration of the Company's business into the LVGIG business following the acquisition of the Company and its subsidiaries by the Group on 31 December 2019. The Board has engaged regularly with and worked closely with the LVGIG Board and executive management team to ensure a successful integration and achieve the aligned strategy of LVGIG and the Company.

Section 172(1) Statement and Stakeholder Engagement (continued)

Employees
The Company does not employ any staff. LVGIG provides administration services and staff to the Company and to other companies within the LVGIG group of companies. There is another employing entity within LVGIG and many HR services are provided centrally. Various methods of employee engagement are used by the Group, such as town halls, staff newsletters, pulse surveys and the annual Allianz Engagement Survey ("AES"). The AES is a valuable employee feedback platform and an indicator of Allianz's corporate culture. Employee engagement is a high priority at Allianz as people are expected to perform with commitment and integrity delivering excellent outcomes for customers. Allianz monitors employee engagement and company culture through the Inclusive Meritocracy Index which covers aspects of leadership, performance, collaboration, trust and respect. The slightly revised and more comprehensive Work Well Index plus covers aspects of the quality of the work environment, practices and opportunities. The Board ensures that the interests of the employees, and particularly those working on the business of the Company, are considered when taking decisions.

During the year there were also additional methods of engagement and communication with the employees working within the Company's business in connection with the integration of the business with LVGIG. This is described in more detail below, under the principal decision: integration with LVGIG on page 7.

Since the beginning of COVID-19 and the resulting changes to the way in which we work, a variety of engagement methods have been introduced to keep our workforce informed and seek feedback on matters which affect them. The Board received regular updates about the impact of COVID-19 on employees and their well-being during 2020.

Customers
Customer-centricity is fundamental to the Group's "Simplicity Wins – Renewal Agenda 2.0" business strategy which the Company adopted in 2020 and continues to implement. During the pandemic, the Group's focus was on maintaining high levels of service to customers and supporting them in their insurance needs. The LVGIG vision is to be Britain's best loved and customers are at the heart of this vision.

A key method of engaging with our customers across the business is the Top Down Net Promoter Score (TDNPS). The TDNPS is an important indicator that our customer-centric culture is embedded within the organisation. We ask our customers and those of our competitors for honest and anonymous feedback and then benchmark the results. In our LVGIG business we seek feedback from our customers. The results are shared with the Board so this information can be considered when making decisions.

In addition, on a day to basis our customer-facing people engage with and foster relationships with our customers directly. Direct and indirect feedback received from customers is collated and reviewed, together with other data such as complaints received and the number of complaints referred to and upheld by the Financial Ombudsman Service.

During the year the Board received a detailed update regarding customer services across the Company, looking at the plans in place to improve stability and capacity of service, which were impacted as a result of the move to home working as a result of the COVID-19 pandemic.

During 2020, the AZH Board established a new Group Customer and Conduct Committee which is responsible for overseeing Group customer conduct matters including customer relationships, engagement and culture for all of the companies within the Group. The Customer and Conduct Committee receives reports on a variety of matters including reports relating to the Company. For example, during 2020 the Customer and Conduct Committee reviewed customer, culture and values aspects of the LVGIG and Fairmead integration project and regularly reviewed conduct risk reports for the Company.

Suppliers
In general, material supplier contracts are considered by the AZH Group board and supplier relationships are managed either directly by procurement or by commercial teams within the business, depending on the size and significance of the contract to the AZH Group. For more information on how supplier relationships are managed, see the LVGIG annual report and accounts to 31 December 2020.

During the year, the Company has had continued engagement with its suppliers in connection with the acquisition of the Company by LVGIG and its integration into the LVGIG business. The integration has had and will continue to have an impact on a number of the Company's suppliers. Throughout the year the Company has engaged with its suppliers to ensure that the relationships were managed appropriately and to ensure communication regarding the changes to the business and how they may affect individual suppliers. The Board previously agreed that transitional support of certain supplier contract management services would continue to be provided by Legal & General Group to allow an extended period to arrange the orderly migration of suppliers. The Board has received reports and assurance regarding the migration of suppliers. The Board was assured that suppliers were migrated once the contract management services were ready to be provided. The migration process around suppliers is ongoing and continues to be closely monitored by the Board.

Section 172(1) Statement and Stakeholder Engagement (continued)

Regulators
Regulations, guidance, policy statements, Dear CEO letters, Dear CRO letters, reports and other forms of publication issued by the Company's regulators from time to time are examined and discussed by the Board and senior management and taken into account when considering matters for approval. In addition the Board carefully considers and takes into account any letters received by the Company from the regulators. The Board and senior management have had regular direct contact and dialogue with the regulators, giving them an understanding of the regulators' requirements and intentions that will then be brought into Board discussions. During 2020 regulatory engagement has covered the impact of COVID-19 on the business and the progress of customer remediation activity.

The Group prides itself on maintaining a candid and transparent relationship with all of its regulators. Any reviews or changes required as a result of regulatory updates or recommendations are considered and the implementation of recommendations is owned and overseen by the Board. This ensures that regulatory matters are of key importance with a top-down approach led by the Board. More information on the Board decision-making in relation to the FCA pricing review is included below under principal decisions.

Community and the Environment
An Environmental, Social, Governance ('ESG') strategy has been introduced by the AZH Group with the aim of achieving the status of a responsible insurer, committed corporate citizen and a trusted company. The AZH Board oversees the ESG strategy of the AZH Group and LVGIG also has its own complementary strategy and activities that it pursues, which applies to the Company as an LVGIG subsidiary.

Board Decision-making
This part of our section 172 statement describes how the Board has had regard to the Company's stakeholders and other matters to be considered under section 172(1) of the Act in some of the key decisions taken by the Board during the year.

The AZH Board has reviewed its reporting processes to ensure that a formal analysis is carried out of how material decisions that it is required to approve will impact the Company's key stakeholders groups. New reporting templates are being developed and rolled out to further improve the quality of Board reporting, ensure consistency and ensure that stakeholder considerations are properly incorporated into all Board reports. These will also be rolled out to the Company for its board reporting. However, the Board is satisfied that the interests of stakeholders have been appropriately considered in reports it has received during the year.

This analysis is in support of the board's duties pursuant to section 172 of the Companies Act 2006 and ensuring that all potential impacts on stakeholders continue to be considered before board approval is requested.

1. **Integration with LVGIG**

Stakeholders	Customers, employees, suppliers
Section 172 considerations	To promote the success of the Company for the benefit of the shareholder, interests of employees, long-term interests, fostering relationships with customers
Stakeholder consideration in the Board's decision making	During 2020 the Board has been focused on delivering its strategy, a key component of which is to successfully integrate the Company's business into the LVGIG business following the acquisition of the Company by LVGIG. The Board has received regular updates regarding the ongoing project. The long-term success of the Company is strategically linked to the successful integration of the business with LVGIG. Successful integration is a key part of the Company and LVGIG's strategy of increasing the strength of the business through scale. The Board has had to carefully consider the impact on various stakeholders as part of its oversight of the integration project. The employees employed to work on the Company's business have now fully migrated to LVGIG from Legal & General Group Plc ('L&G'). While not employed directly by the Company, the Board considers the employees working on its business as key stakeholders and considers them when making decisions. The Board recognises that such a large integration project could have a negative impact on employees. The Board has had regard to the interests of employees during the migration, even where there have been difficult decisions to make.

Section 172(1) Statement and Stakeholder Engagement (continued)

Board Decision-making (continued)

1. Integration with LVGIG (continued)

Stakeholder consideration in the Board's decision making (continued)

The Board has fully engaged with and had a full consultation process with employees in relation to decisions which have or could have negatively affected sections of the workforce. For example the Company put in place a retention plan for key employees and also established its own people committee to focus on communication with its employees and with UNITE, the trade union, to reduce uncertainty. A detailed people roadmap was agreed and overseen by the Board to monitor progress and the impact on employees, including the impact on morale. The Board has also engaged with LVGIG and AZH Group to work to increase the engagement of the employees working on its business and provide full support to employees to boost morale. The focus has also been on ensuring that employees working within the Company’s business feel that they are part of the LVGIG business, including referring to the Birmingham location, where the Company’s operations are based, as LV=Birmingham.

The wider Allianz UK Group has a customer-centric culture which places customers at the heart of the business. LVGIG has a vision to be Britain’s best loved. There were some impacts on customer service due to the impact of COVID-19 earlier in the year. These issues were of prime importance to the Board. The Board had regard to the interests of customers during the migration, ensuring that customer service remained as expected and taking action where any issues have arisen which impacted on customers.

The Company has had continued engagement with its suppliers in connection with the integration of the Company into the LVGIG business. Throughout the year the Company has engaged with its suppliers to ensure that the relationships were managed appropriately and to ensure communication regarding the changes to the business and how they may affect individual suppliers. The Board previously agreed that transitional support of certain supplier contract management services would continue to be provided by Legal & General Group to allow an extended period to arrange the orderly migration of suppliers. The Board has received reports and assurance regarding the migration of suppliers. The Board was assured that suppliers were migrated once the contract management services were ready to be provided. The migration process around suppliers is ongoing and continues to be closely monitored by the Board.

The Legal & General Group are also a key supplier during this integration period providing a variety of support services to the Company under a 'Transitional Services Agreement' up to the end of 31 December 2022.

2. Solvency Capital Ratio Review

Stakeholders: Regulator, customers/ policyholders

Section 172 considerations: To maintain a reputation for high standards, promoting the long term success of the

Stakeholder consideration in the Board's decision making: During the year the Board reviewed the solvency capital ratio (SCR) and liquidity of the Company. A deep dive was carried out into the metrics used to calculate the solvency position and following the review the Board agreed some appropriate amendments to the way in which the SCR is calculated. The Board has engaged regularly with the Regulator regarding its solvency coverage throughout the year given the impact of the COVID-19 pandemic.

Section 172(1) Statement and Stakeholder Engagement (continued)

Board Decision-making (continued)

3. Pricing Strategy and Practices Review

Stakeholders:	Regulator, customers
Section 172 considerations:	To maintain a reputation for high standards, fostering relationships with customers and suppliers
Stakeholder consideration in the Board's decision making:	During the year the Board considered the pricing strategy and practices to ensure fair pricing practices in the Company's business. The Board reviewed whether practices were fair, customers were treated fairly and the customer centric culture was embedded within the Company's operations. The Company's pricing practices were also considered by the LVGIG Board as part of an external pricing practices review carried out on the breadth of the LVGIG business. The areas of improvement highlighted by the external review have been communicated to the Board and work to strengthen pricing practices is reviewed by the Board at each meeting. In reviewing the developments in this area the Board has regard to the interests of the Company's customers and ensuring they are treated fairly. The Board also has regard to the pricing governance and framework within LVGIG, which the Company will migrate to over time as part of the wider integration project. Customers are of prime importance in the integration project.

By Order of the Board

C. J. Wren-Kirkham
Director
7 April 2021

M. Crane
Director
7 April 2021

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)
Directors' Report
For the year ended 31 December 2020

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2020.

Result for the year and dividend
The results of the Company show a pre-tax loss of £53,670k (pre-tax loss of £57,189k in 2019), details of which are set out on page 16. A review of the result in 2020 can be found within the Strategic Report on page 2.

The Directors do not recommend any dividend payment in 2020 (2019: £nil). No interim dividends were paid during the year.

Future developments
The Company (together LVGIG) is currently in the on-going process of integrating its business operations into the wider LVGIG and Allianz business. The success of business integration across various functions is essential to contribute to the Group outlook to increase revenue and policies in force, and to reduce costs, ultimately driving growth in operating profits. The establishment of shared services and accessing systems aims to increase operational efficiency whilst promoting consistent and high levels of customer service. As part of this integration activity, the Company has approved plans for migrations of various of its books of business. The migration of certain household policies commenced in 2020.

Going concern
The Company has approved plans for migrations of various of its books of business, and therefore, with the exception of a specific contract with a Managing General Agent, it is anticipated all product lines will be in run off by the end of financial year 2021. The Directors are currently reviewing the future plans for the Company.

The Company does have adequate resources to continue operating for the foreseeable future and it will continue to meet its liabilities as they fall due. The impact of the COVID-19 pandemic on the Company has been set out in the Strategic Report on page 2. The impact of the pandemic and wider economic consequences have been considered in our Solvency and liquidity projections underpinning the conclusion that the entity continues to be a going concern.

Financial Risk Management
The Company uses financial instruments to manage certain financial risks. The Company's exposure to financial risk through its financial assets and liabilities is provided in the Strategic Report and in note 35 of the financial statements.

Political Donations
The Company made no political donations and incurred no political expenditure during the year.

Directorate
The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown below:

C.J. Wren-Kirkham
J. Cowell (appointed 1 January 2020)
M. Crane (appointed 1 January 2020)
S. Treloar (appointed 1 January 2020)

Company Secretary
C. M. Twemlow (appointed 1 February 2021)
R. C. Jack-Kee (appointed 1 January 2020 and resigned 1 February 2021)

Modern Slavery Statement
The Group recognises that companies have an obligation to ensure that their business and supporting supply chains are slavery free.

The Group's full modern slavery statement can be found at www.allianz.co.uk.

The Company's modern slavery statement has been approved by the Board.

Directors' Insurance
The ultimate parent Company, Allianz SE, maintains an appropriate level of Directors' and Officers' liability insurance which is reviewed annually.

Independent Auditors
On 31 March 2020, KPMG LLP resigned as the Company's external auditor. The Company has appointed BDO LLP as the Company's external auditors for the financial year ended 31 December 2020.

There is no requirement under the Companies Act or the Company's Articles of Association to hold an Annual General Meeting or lay the Company's Report and Financial Statements before the shareholders. The Company has also elected to dispense with the need to appoint auditors annually, and BDO LLP will therefore continue in office.

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)
Directors' Report (continued)
For the year ended 31 December 2020

Streamlined Energy and Carbon Reporting (SECR)

The Company has taken an exemption from SECR reporting in these financial statements as it fulfills the criteria for taking advantage of the exemption as provided by "The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018".

This is on the basis that LVGIG and its parent company Allianz Holdings plc have reported and disclosed the requirements of the SECR in their Financial Statements, including the relevant data for the Company. LVGIG's financial statements can be found at www.lv.com and Allianz Holdings plc's financial statements can be found at www.allianz.co.uk.

Statement of directors' responsibilities in respect of the financial statements

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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 Act.

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.

Disclosure of information to the Auditor

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.

By Order of the Board

C. J. Wren-Kirkham
Director
7 April 2021

M. Crane
Director
7 April 2021

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)
Independent auditor's report to the members of Fairmead Insurance Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fairmead Insurance Limited ('the Company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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 international accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the audit committee, we were appointed on 18 March 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ending 31 December 2020. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

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 evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to ensure compliance with regulatory solvency requirements, noting the Company to be in excess of the minimum solvency requirement;
- Checked the solvency through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Review of the Company's budget for the next 12 months considering the validity of assumptions made and;
- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Company's ability to continue as a 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 entity'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.

Overview

		2020	2019
Key Audit Matters	KAM 1	Valuation of Claims Outstanding	Valuation of Claims Outstanding
	KAM2	None	Valuation of Provisions
		KAM 2 is no longer considered to be a key audit matter because the level of judgement involved is significantly lower.	
Materiality	*Overall financial statements materiality* £4,900k (2019: £3,170k) based on 1.25% (2019: 0.7%) of gross written premium.		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of Company and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

An overview of the scope of our audit (continued)

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) that 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. This matter 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 this matter.

Key Audit Matter		**How the scope of our audit addressed the key audit matter**
Valuation of Claims Outstanding Refer to Note 1c, (accounting policy), Note 35 (Critical accounting estimates and judgements), Note 21 and 24 (financial disclosures) and Note 36 (sensitivity analysis)	The Company recorded gross claims outstanding of £193,038k (2019: £164,770k). The valuation of gross claims outstanding, is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements were made when determining the valuation of claims outstanding. This is made up of individual estimates on claims notified to the Company and claims incurred but not reported (IBNR). Modelling for the valuation of claims outstanding is reliant on: • Relevant claims data being input correctly into actuarial models; • The application of appropriate actuarial techniques, judgements and assumptions, including the consistency in development of paid to incurred ratios by peril and accident year.	The audit team reconciled key actuarial inputs used in actuarial models to accounting records and carried out test of detail over the data used in the valuation of the insurance contract liabilities. BDO's actuarial experts assessed the methodology, significant judgements and assumptions applied by the Company's in-house actuarial team across all lines of business. In particular BDO's actuarial team: • For household business, conducted their own projections of reserves using claims development triangles by peril. • Reviewed the claims development patterns through a review of paid to incurred claims ratios for consistency by peril and accident year, including alternative reserve projections based on paid triangles for quarters impacted by data issues. • Reviewed the Company's actuarial report in conjunction with their own projections and considered the reasonableness of different patterns and ratios applied to particular lines of business, including comparison of differences noted. • Reviewed the outturn of prior years' estimates through analysis of ultimate movements. **Key observations:** From the audit work performed we gained assurance over the valuation of the claims outstanding and the appropriateness of the methodology, assumptions and judgements used.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Financial Statements	
	2020 (£'000)	2019 (£'000)
Materiality	4,900	3,170
Basis for determining materiality	1.25% of Gross Written Premium	0.7% of Gross Written Premium
Performance materiality	3,185	2,060
Basis for determining performance materiality	65% of Materiality	65% of Materiality

The Company has in place a significant amount of quota share reinsurance in the year ending 31 December 2020, including a 50% overarching quota share agreement. These arrangements have the effect of transferring insurance premium and claims technical provisions to reinsurers. Due to the extent of these arrangements it was felt appropriate to set a level of materiality for the financial statements as a whole to determine the extent of audit procedures to be applied over gross premiums and claims before these reinsurance arrangements. A lower level of materiality has been set for transactions and balances not affected by quota share reinsurance.

Our application of materiality (continued)

Financial statements materiality was set at £4,900k as determined with reference to the benchmark of gross written premium, as this is considered the primary financial measure monitored by key stakeholders and provides a more stable measure year on year than profit before tax. Our materiality was set at 1.25% of the benchmark.

This is our first period of appointment. The predecessor auditors used an overall financial statements materiality as a whole set at £3,170k for 2019, representing 0.7% of gross written premium.

Specific materiality

The lower level of materiality was based on net assets, as the key performance indicator for stakeholders is the economic stability and solvency of the Company, thus net assets in an appropriate determinant. Our specific materiality of £3,000k represents 3% of net assets.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 65% of each materiality level set out above, which is in line with the assessment of the inherent risk of the business. A lower performance materiality has been used as this is the first year of audit for BDO.

Reporting threshold

We agreed with the Audit Committee that we would report to them any misstatements in excess of £172k that we identified through the course of our audit, together with any qualitative matters that warranted reporting.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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 the 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year 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. In the 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.
Matters on which we are required to report by exception	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.

Independent auditor's report to the members of Fairmead Insurance Limited (formerly Legal & General Insurance Limited)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

- Obtaining an understanding of the legal and regulatory framework applicable to the Company's operations and the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA);
- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specially we engaged an actuary as auditors expert to review the assumptions and methodology applied by the Company in the valuation of technical provisions to ensure the methods utilised are in compliance with Technical Actuarial Standards (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance);
- Enquiries of management;
- Review of journal entries made throughout the year;
- Review of minutes of board meetings throughout the period; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

Use of our 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.

Alexander Barnes

Alexander Barnes
Senior Statutory Auditor

For and on behalf of
BDO LLP
Statutory Auditor
London, UK
8 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)
Statement of Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue			
Gross written premiums		405,071	448,490
Outward reinsurance premiums		(346,935)	(160,013)
Net change in provision for unearned premiums		79,638	(12,463)
Net premiums earned		137,774	276,014
Investment income	3.	1,680	31,324
Interest receivable and similar income	4.	2,549	10,854
Total revenue		142,003	318,192
Expenses			
Gross claims and change in insurance liabilities		284,963	261,212
Reinsurance recoveries		(192,232)	(116,915)
Net insurance claims	5.	92,731	144,297
Acquisition costs	6.	120,735	134,023
Other expenses	10.	100,516	141,287
Reinsurance commission and expenses	11.	(118,381)	(44,718)
Total operating expenses		102,870	230,592
Finance costs	7.	72	492
Total claims and expenses		195,673	375,381
Loss before taxation	2.	(53,670)	(57,189)
Total tax credit	12.	9,626	9,342
Loss for the year		(44,044)	(47,847)
Other comprehensive income			
Items that may be classified to profit and loss			
Change in value of available-for-sale financial assets		2,062	-
Change in value of available-for-sale financial assets transferred to profit and loss		356	
Income tax on these items		(459)	-
Other comprehensive income for the year	31.	1,959	-
Total comprehensive expense for the year		(42,085)	(47,847)

All activities of the Company are classified as continuing.

The loss for the year and total comprehensive expense is entirely attributable to the equity holders of the Company.

The notes on pages 20 to 45 form an integral part of the financial statements.

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)
Statement of Financial Position
As at 31 December 2020

	Notes	2020 £'000	2019 £'000 Restated (note 1)
Assets			
Intangible assets	15.	-	13,600
Plant and equipment	16.	-	3,340
Right of Use Asset	17.	3,727	4,586
Deferred acquisition costs	19.	57,499	64,681
Income tax asset	13.	6,228	705
Deferred tax asset	14.	3,368	-
Financial investments	20.	172,401	367,708
Reinsurers' share of contract liabilities	21.	275,487	80,754
Receivables arising out of direct insurance operations - policyholders	22.	93,845	102,727
Receivables arising out of direct insurance operations - intermediaries	22.	42,817	60,364
Prepayments and other receivables	22.	28,032	34,796
Cash and cash equivalents	23.	13,460	12,801
Total assets		696,864	746,062
Equity			
Share capital	29.	37,000	37,000
Share premium		96,053	96,053
Retained earnings	30.	21,945	65,989
Available-for-sale reserve	31.	1,959	-
Total equity		156,957	199,042
Liabilities			
Gross insurance contract liabilities	21.	409,605	390,091
Deferred tax liabilities	14.	-	276
Provisions	25.	4,692	10,423
Trade payables	26.	31,270	41,703
Other payables and financial liabilities	27.	90,160	99,855
Lease liability	17.	4,180	4,672
Total current liabilities		539,907	547,020
Total equity and liabilities		696,864	746,062

The notes on pages 20 to 45 form an integral part of the financial statements.

The financial statements on pages 16 to 45 were approved by the Board of Directors on 7 April 2021 and were signed on their behalf by:

C. J. Wren-Kirkham
Director

M. Crane
Director

Company Registration Number: 00423930.

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)

Statement of Changes in Equity

For the year ended 31 December 2020

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Available-for-sale reserve £'000	Total £'000
Balance at 1 January 2020	37,000	96,053	65,989	-	199,042
Loss for the year	-	-	(44,044)	-	(44,044)
Other comprehensive income for the year	-	-	-	1,959	1,959
Total comprehensive expense for the year	**-**	**-**	**(44,044)**	**1,959**	**(42,085)**
Balance at 31 December 2020	**37,000**	**96,053**	**21,945**	**1,959**	**156,957**

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Available-for-sale reserve £'000	Total £'000
Balance at 1 January 2019	37,000	96,053	113,836	-	246,889
Loss for the year	-	-	(47,847)	-	(47,847)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive expense for the year	**-**	**-**	**(47,847)**	**-**	**(47,847)**
Balance at 31 December 2019	**37,000**	**96,053**	**65,989**	**-**	**199,042**

The notes on pages 20 to 45 form an integral part of the financial statements.

Fairmead Insurance Limited (formerly Legal & General Insurance Limited)
Statements of Cash Flows
For the year ended 31 December 2020

	2020 £'000	2019 £'000 Restated (note 1)
Cash flows from operating activities		
(Loss) before tax	(53,670)	(57,189)
Adjustments for:		
Depreciation, amortisation and impairment	17,799	50,040
Net fair value loss/(gains) on financial instruments	356	(28,064)
Dividend and interest income	(2,036)	(3,260)
Impairment of investment in subsidiary	-	6,050
Interest payable	72	492
Changes in operating assets and liabilities:		
Net increase in insurance contract liabilities	19,514	42,930
Net (increase) in reinsurers' share of contract liabilities	(194,733)	(8,378)
Net decrease/(increase) in deferred acquisition costs	7,182	(577)
Net decrease/(increase) in other assets	33,193	(50,658)
Net (decrease) in operational liabilities	(20,128)	(9,978)
Net (decrease)/increase in provisions	(5,731)	10,423
Net decrease of financial investments	199,085	11,362
Lease capital repayments	(605)	847
Cash inflow/(outflow) generated by operations	**298**	**(35,960)**
Interest received	433	3,832
Interest paid	(72)	(492)
Tax received	-	12,361
Net cash inflow/(outflow) from operating activities	**659**	**(20,259)**
Cash flows from investing activities		
Purchase of intangible assets	-	(4,793)
Net increase in working capital facility	-	23,389
Purchase of share capital issued of wholly owned subsidiary	-	(300)
Net cash inflows from investing activities	**-**	**18,296**
Net increase/(decrease) in cash or cash equivalents	659	(1,963)
Cash and cash equivalents at the beginning of the year	12,801	14,764
Cash and cash equivalents at the end of the year	**13,460**	**12,801**

The notes on pages 20 to 45 form an integral part of the financial statements.

The Company's statement of cash flows includes all cash and cash equivalent flows, including those relating to the UK policyholders.

1. Accounting Policies

a) Basis of Preparation

The Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention on a going concern basis, as modified by the revaluation of financial assets. Accounting policies have been applied consistently to all years presented except as otherwise stated.

The Company is exempt from preparing consolidated financial statements by virtue of the Act, as its ultimate parent Company prepares publicly available consolidated financial statements that are deemed to satisfy the equivalence requirement of section 400 of the Act. The Company is domiciled in the United Kingdom.

The functional and presentational currency of the Company is British Pounds.

Prior year restatement

In prior years, the Company did not recognise Insurance Premium Tax ('IPT') in respect of the 'estimated premiums not notified by the year end' in error. This has been changed in 2020 and therefore, the prior year comparatives have been restated. This has resulted in an increase in 'Receivables arising out of direct insurance operations - intermediaries' and 'Other payables and financial liabilities' on the Statement of Financial Position, both by £9,659k. There has been no impact on the Statement of Comprehensive Income or Equity. The prior year Statement of Cash Flows has also been restated to reflect this change within the changes in other assets and operational liabilities both increasing by £9,659k. There is no net impact on the cash outflow generated by the operation or decrease in cash and cash equivalents reported in the prior year.

Going concern

The Company has approved plans for migrations of various of its books of business, and therefore, with the exception of a specific contract with a Managing General Agent, it is anticipated all product lines will be in run off by the end of financial year 2021.

The Directors are currently reviewing the future plans for the Company, but the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the impact of the COVID-19 pandemic and the wider economic consequences on the Company's resources have been considered and concluded as not posing a material threat. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Changes in accounting policies

New standards, interpretations and amendments to published standards applicable that have not been adopted by the company

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments provides two approaches that can be applied by eligible insurers to address concerns arising from the different effective dates of IFRS 9 and IFRS 17 'Insurance Contracts'; the overlay approach and the temporary exemption from IFRS 9 until adoption of IFRS 17. The Company is an eligible insurer and has taken the temporary exemption from IFRS 9. In June 2020 the IASB agreed to issue an exposure draft proposing to extend the deferral by one year, to align with the proposed delay in the adoption date of IFRS 17.

For an insurer to apply this deferral:
(i) Total liabilities related to insurance must exceed 90% of total liabilities; or
(ii) Total liabilities related to insurance are greater than 80% of total liabilities but less than 90% of total liabilities so long as the insurer does not engage in significant activity unconnected to insurance.

Total liabilities connected to insurance within the Company at the initial assessment date 31 December 2015 were 91% of total liabilities; the Company therefore qualifies to defer implementation of IFRS 9 and is making use of this deferral.

The Company is required to retest if it is eligible for deferral of IFRS 9 if and only if there is a significant change in business activities in the year. There have been no indicators of such a change in 2020 and therefore the Company continues to apply the deferral.

As required by the amendments, the disclosures below are presented in order to provide users of the financial statements with information which allows them to compare financial assets with those of entities applying IFRS 9.

1. Accounting Policies (continued)

a) Basis of Preparation (continued)

New standards, interpretations and amendments to published standards that have not been adopted by the company (continued)

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (continued)

(i) Fair value of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. passing the 'SPPI' test):

	Financial assets passing the SPPI test[1,2] 2020 £'000	All other financial assets[3] 2020 £'000	Financial assets passing the SPPI test[1,2] 2019 £'000 Restated (note 1)	All other financial assets[3] 2019 £'000
Investment funds	-	-	-	367,466
Debt securities	170,556	-	-	-
Accrued interest	1,845	-	-	242
Total financial investments at fair value	172,401	-		367,708
Insurance and intermediaries receivables	136,662	-	163,091	-
Other receivables	26,396	-	29,905	-
Total financial assets (excluding cash and cash equivalents)	**335,459**	**-**	**192,996**	**367,708**

1. Financial assets classified as held for trading or that are managed and whose performance is evaluated on a fair value basis do not require an SPPI test to be performed. These assets are reported in 'All other financial assets'.
2. For financial assets which pass the SPPI test held at 31 December 2020 there was a favourable change in the fair value in the year of £379k (2019: £60k adverse).
3. There were no other financial assets held at 31 December 2020, hence no change in the fair value (2019: (£28,064k gain)).
4. Other receivables excludes commission advances of £1,636k (2019: £4,891k).

(ii) Credit risk information of financial assets passing the SPPI test:

	AAA £'000	AA £'000	A £'000	BBB £'000	BB or below[1] £'000	Other £'000	Total £'000
Insurance and intermediaries receivables and other receivables, and total financial assets (excluding cash and cash equivalents)							
2020	62,057	65,340	19,845	38,930	3,427	145,860	335,459
2019 - restated (note 1)	-	2,662	1,477	-	2,760	186,097	192,996

1. Financial assets classified as 'Other' are made up of unrated and short term receivables for which a formal credit rating is not assigned. The fair value of financial assets in this category that are not deemed to have low credit risk as at 31 December 2020 is £nil (2019: £nil).

b) Use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates, possibly significantly. This is particularly relevant to the estimation of incurred but not reported ('IBNR') estimates within insurance contract liabilities. The basis of accounting for these liabilities is set out in (c) below and the significant judgements used in determining the estimate are outlined in note 34 to the financial statements.

1. Accounting Policies (continued)

c) General Insurance

Results of general insurance business are determined after taking account of unearned premiums, outstanding claims and unexpired risks using the annual basis of accounting and appropriate information regarding its claims exposures. The Company takes all reasonable steps to ensure that is 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.

Premiums are accounted for in the period in which the risk commences as gross written premium. Estimates are included for premiums not notified by the year end. For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Premiums are shown net of IPT and before deduction of commission. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct business being reinsured.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the statement of financial position, calculated on a time-apportioned basis. A proportion of commission and other acquisition expenses relating to unearned premiums is carried forward as deferred acquisition costs ('DAC') or, with regard to reinsurance outwards, as deferred income. Acquisition costs are deferred over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

Claims incurred comprises claims and related expenses paid in the year and changes in the provisions for outstanding claims. This includes provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

Provision is made at the statement of financial position date for the estimated cost of claims and related insurance recoveries incurred but not settled at that date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. 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, where more information about the claim event is generally available. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these reserves. In calculating the estimated cost of IBNR and notified unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historic experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made however for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

An additional unexpired risk provision should be recognised if the sum of expected claim costs and claim adjustment expenses, deferred acquisition costs, and asssociated administrative costs exceeds related unearned premiums and anticipated investment income. Any required unexpired risk provision will be recognised within Gross insurance contract liabilities.

d) Reinsurance

The Company cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses. Outward reinsurance premiums are recognised in the same accounting period as the related premiums for the direct or inward insurance business being reinsured. Reinsurance assets include balances due from reinsurers for paid and unpaid losses, loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded as an asset in the statement of financial position unless a right of offset exists, in which case the associated liabilities are reduced commensurately.

To the extent that any gross unexpired risk provision is anticipated to be recovered under any outward reinsurance relationship, the anticipated recovery is recognised within Reinsurers' share of contract liabilities.

1. Accounting Policies (continued)

e) Investments in subsidiaries

Shares in subsidiary undertakings are stated at cost less impairment. The Company reviews the carrying value of its subsidiaries at each statement of financial position date where there has been an indication that impairment has occurred. If the carrying value of the subsidiary undertakings is impaired, the carrying value is reduced through a charge to the statement of comprehensive income.

f) Financial Investments

Investments are classified in the following categories: financial assets or financial liabilities at Fair Value Through Profit and Loss ('FVTPL'), loans and other receivables and Available-For-Sale ('AFS') financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

At the start of the year, the Company entered a new investment strategy whereby all future investments in debt and other fixed income securities should be classified as AFS. The Company had previously sold its entire investment portfolio that was classified at FVTPL.

g) Available for sale (AFS) financial assets

AFS investments include listed debt securities comprising Corporate Bonds and Government Bonds. AFS investments are those intended to be held for a indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rates or prices.

AFS investments are initially recognised at fair value plus directly related transaction costs. They are subsequently carried at fair value. Interest calculated using the effective interest rate method is recognised in Statement of Comprehensive Income ('SOCI'). Other changes in the fair value of AFS financial assets are reporting in a separate component of shareholders' equity (AFS reserve) until disposal. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in SOCI within investment income.

h) Loans and other receivables

Loans and other receivables are initially measured at fair value and then subsequently measured at amortised cost using the effective interest rate method. Other receivables are recognised when due.

An assessment is performed at each Statement of Financial Position ('SOFP') date whether there is any indication that is a loan or receivable, or a group of loans and receivables, is impaired. Where there is objective evidence that the carrying value is impaired then the impairments loss will be recognised in the SOCI.

i) Impairment of financial assets

The carrying values of financial assets not carried at FVTPL are reviewed at each SOFP date. If the carrying value of trade receivable or loans and other receivable is impaired, the impairment is recognised through establishment of a loss allowance which is charged to the SOCI.

When a decline in the fair value of a financial asset classified as AFS has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the income statement. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value.

If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed.

j) Interest receivable and similar income

Interest receivable and similar income relates to instalment fee income on policyholder debt. Income is recognised through the income statement in the period to which it relates to on an effective interest rate ('EIR') basis. Instalment fee income receivable is recognised within Receivables arising out of direct insurance operations and deferred income within Other payables and financial liabilities.

1. Accounting Policies (continued)

k) Dividend recognition
Dividend distributions to the Company's shareholders are recognised as a liability in the year in which the dividends are authorised and are no longer at the discretion of the Company.

l) Insurance Receivables
Insurance Receivables are recognised in a manner consistent with the premium income recognition as detailed in the General Insurance accounting policy (c). The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Comprehensive Income.

m) Trade and other payables
Trade and other payables are recognised as the Company becomes contractually obligated to make an outflow of resources. They are initially recognised at fair value and subsequently held at amortised cost.

Trade and other payables include accruals for levies which are recognised when the obligating event of authorisation to undertake specified business activities on dates prescribed in relevant legislation has occured.

n) Taxation
Current tax comprises tax payable on current year profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous years. Current tax is recognised in the income statement unless it relates to items which are recognised in other comprehensive income.

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income.

To calculate the current tax charge, the rate of tax used is 19% (2019: 19%), which is the rate of corporation tax applicable for the year. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

The rate of tax used for the calculation of deferred tax is the rate of corporation tax that is expected to apply when the differences reverse.

o) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

p) Intangible Assets
Purchased software and costs directly associated with the internal development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Company which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Such intangible assets are stated at cost less cumulative amortisation and impairment losses. Amortisation begins when the asset becomes available for operational use and is charged to the income statement within administrative expenses on a straight- line basis over the estimated useful life of the software, which was considered to be 10 years. However following the acquisition of the Company, the asset has been fully written-down as at 31 December 2020.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

1. Accounting Policies (continued)

q) Plant and equipment
The initial cost of an item of plant or equipment is capitalised where it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost is then depreciated on a straight line basis over the item's estimated useful working life over 3 to 10 years.

The Company reviews the carrying value of Plant & Equipment at each statement of financial position date where there has been an indication that impairment has occurred. If the carrying value of an item of Plant & Equipment is impaired, the carrying value is reduced through a charge to the income statement.

r) Share Capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

s) Share Premium
Share premium are proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

t) Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether: the contract involves the use of an identified asset; the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset. This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases have been recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1. Accounting Policies (continued)

u) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Company expects some or all of a provision to be reimbursed it is recognised as a separate asset when the reimbursement is certain. Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events. The Company will not recognise a contingent liability in the Statement of Financial Position, but will make disclosure unless the outflow of economic resources is remote.

v) Standards, interpretations and amendments to published standards that are not yet effective

Certain standards, amendments and interpretations to existing standards have been published which are mandatory for the Company's accounting periods beginning on or after 1 January 2021 or later periods but none of these are expected to have a significant effect on the financial statements of the Company, except the following:

IFRS 17 – Insurance Contracts

IFRS 17, 'Insurance Contracts' was issued in May 2017 and was due to be effective for annual periods beginning on or after 1 January 2021 (subject to EU endorsement). In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023. The standard will be applied retrospectively, subject to the transitional options provided for in the standard, and provides a comprehensive approach for accounting for insurance contracts including their measurement, income statement presentation and disclosure. The Company's Group has mobilised a project to assess the financial and operational implications of the standard, and work will continue throughout 2021 to ensure technical compliance and to develop the required system capability to implement the standard.

2. Loss before taxation

	2020 £'000	2019 £'000
Loss before taxation is stated after charging:		
Amortisation and impairment of intangible assets (note 15)	13,600	48,494
Depreciation and impairment of tangible assets (note 16)	3,340	613
Depreciation of right-of-use assets (note 17)	859	933
Lease liability interest expense (note 17)	72	218
Impairment of investment in subsidiary (note 18)	-	6,050
Auditors' remuneration (see below for further analysis)	298	278

During the year fees (excluding VAT) were paid to the Company auditors for the following services:

Audit Services		
Audit of these financial statements	230	210
Non Audit Services		
Fees payable to the Company auditors for other services:		
- Audit related assurance services - required by national or EU legislation	68	68
Total	298	278

3. Investment income

	2020 £'000	2019 £'000
Investment income on available-for-sale financial assets	2,036	-
Investment income on investments held at fair value through profit and loss	-	3,260
Realised losses on available-for-sale financial assets	(356)	-
Realised gains on investments held at fair value through profit and loss	-	77,826
Unrealised losses on investments held at fair value through profit and loss	-	(49,762)
	1,680	31,324

All of the investment return in the year arose on available-for-sale financial investments, whilst prior year investment returns arose on financial investment designated as fair value through profit and loss. This reflects a change in investment strategy as a result of the acquistion of the Company by the Allianz Group. This is discussed further in note 1(f).

4. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable and similar income: instalment fee income	2,549	10,854

The Company ceased charging installment fee income to customers who pay by monthly installments from December 2019.

5. Insurance claims

	2020 £'000	2019 £'000
Claims paid		
- gross	248,241	229,385
- reinsurance recoveries	(59,929)	(107,169)
	188,312	122,216
Change in insurance liabilities		
- gross	28,268	31,827
- reinsurance recoveries	(128,270)	(9,746)
- gross unexpired risk provisions	8,454	-
- reinsurers' share of unexpired risk provisions	(4,033)	-
Net claims and change in insurance liabilities	92,731	144,297

6. Acquisition costs

	2020 £'000	2019 £'000
Acquisition costs	113,553	134,600
Change in deferred acquisition costs	7,182	(577)
	120,735	134,023

7. Finance costs

	2020 £'000	2019 £'000
Interest payable to Legal & General Group undertakings	-	274
Lease liability interest expense (note 2)	72	218
	72	492

8. Employee information

The Company had no direct employees during 2020 since they were employed by Liverpool Victoria General Insurance Group Limited ('LVGIG'). In 2019, the Company also had no direct employees as at that time they were employed by a fellow subsidiary of Legal & General Group. As a result the Company incurred no direct staff costs and made no direct contributions towards retirement benefits (2019: £nil). Staff costs were transferred through re-charges from LVGIG in 2020.

9. Directors' emoluments

These figures represent that portion of the Directors' emoluments that are estimated to relate to their services to the Company:

	2020 £'000	2019 £'000
In respect of services as Directors:		
Aggregate emoluments	908	935
Aggregate money purchase contributions	31	14

No defined benefits accrued to the Directors under any defined benefit pension scheme. (2019: £nil)

No fees were paid by the Company to the Directors (2019: £nil).

Three (2019: nil) Directors have been granted awards under LVGIG's long term incentive plan ('LTIP') schemes. There is a LTIP scheme each year with each covering a period of three years. Performance measures, both financial and non-financial, are attached to each scheme and performance against these measures drives the final award value. The LTIP payments are included in emoluments in the financial year that payment is made.

The emoluments of the Chairman, S. Treloar, are not included in the disclosure above as this role is considered incidental to his wider role within the LVGIG group. The disclosures in respect of his emoluments are made within the LVGIG report and financial statements.

The emoluments received by the Directors in 2020 were settled by the parent Company, LVGIG (2019: fellow group Company, Legal & General Resources Limited), and included within the recharge made to the Company.

	2020 £'000	2019 £'000
Highest paid Director:		
Emoluments	526	736
Money purchase contributions	10	10

Emoluments and money purchase contributions for the highest paid director include amounts in respect of their services as a Director of the Company and in respect of their role for the parent Company.

10. Other expenses

		2020 £'000	2019 £'000
Administrative expenses	(i)	89,105	91,485
Investment management expenses		119	1,116
Impairment in subsidiary (note 18)		-	6,050
Impairment of intangible assets (note 15)		9,066	42,636
Impairment of tangible assets (note 16)		2,226	-
		100,516	141,287

(i) Administrative expenses

	2020 £'000	2019 £'000
Recharge from LVGIG - staff related costs	26,580	22,220
IT software, consulting and maintenance costs	36,986	37,594
Levies	14,989	13,494
Provisions (note 25)	4,045	10,423
Others	6,505	7,754
	89,105	91,485

11. Reinsurance commission and expenses

	2020 £'000	2019 £'000
Reinsurance commissions	(49,659)	(44,718)
Expenses recoverable from reinsurers	(68,722)	-
	(118,381)	(44,718)

12. Total tax expense

	2020 £'000	2019 £'000
Current tax		
- Current tax for the year	(6,122)	(238)
- Adjustments in respect of prior years	599	(240)
Total current tax credit	(5,523)	(478)
Deferred tax		
- Movement in temporary differences	(4,072)	(9,691)
- Impact of change of taxation rates on deferred taxation balances	(31)	827
Total deferred tax credit	(4,103)	(8,864)
Total tax credit	(9,626)	(9,342)

The tax attributable to equity holders differs from the tax calculated at the standard UK corporation tax rate as follows:

	2020 £'000	2019 £'000
Loss before tax attributable to equity holders	(53,670)	(57,189)
Corporation tax at 19% (2019: 19%)	(10,197)	(10,866)
Effects of:		
Adjustments in respect of prior years	599	(240)
Adjustments in respect of prior year deferred tax	(59)	80
Expenses not deductible for tax purposes	62	1,335
Impact of change of taxation rates on deferred taxation balances	(31)	827
Income not subject to tax	-	(478)
Tax attributable to equity shareholders	(9,626)	(9,342)

13. Income tax assets

	2020 £'000	2019 £'000
Tax due within 12 months	6,228	705

14. Deferred tax

	Net tax asset/ (liabilities) as at 1 January 2020	Tax credited to the income statement	Tax (charged) to equity	Net tax asset/ (liabilities) as at 31 December 2020
	£'000	£'000	£'000	£'000
Excess of capital allowances over depreciation	3,223	2,468	-	5,691
Claims equalisation reserve	(3,499)	1,571	-	(1,928)
Available-for-sale financial assets	-	-	(459)	(459)
Tax losses	-	64	-	64
Deferred tax asset/(liabilities)	(276)	4,103	(459)	3,368

	Net tax (liabilities) as at 1 January 2019	Tax credited to the income statement	Tax (charged) to equity	Net tax asset/ (liabilities) as at 31 December 2019
	£'000	£'000	£'000	£'000
Excess of capital allowances over depreciation	(3,717)	6,940	-	3,223
Claims equalisation reserve	(5,423)	1,924	-	(3,499)
Deferred tax (liabilities)	(9,140)	8,864	-	(276)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax balances as at 31 December 2019 were calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This has increased the deferred taxation asset by £31k in 2020, reducing the taxation charge to the income statement by the same amount.

14. Deferred tax (continued)

The UK Government announced its intention in the budget of 3 March 2021 to legislate to increase the rate of corporation tax from 19% to 25% with effect from 1 April 2023. This legislation is expected to be substantively enacted by summer 2021. If the deferred tax balance is re-measured using a rate of 25% at 31 December 2020 for those balances expected to unwind after 1 April 2023, the deferred tax asset would increase by £1,154k.

15. Intangible assets

	2020	2019
Cost	£'000	£'000
As at 1 January	72,371	67,578
Additions	-	4,793
As at 31 December	72,371	72,371
Accumulated amortisation		
As at 1 January	58,771	10,277
Amortisation and impairment charge for the year	13,600	48,494
As at 31 December	72,371	58,771
Closing net book value	-	13,600
Opening net book value	13,600	57,301

Intangible assets relate to the costs directly associated with the development of computer software.

Following a review of the carrying value of the intangible assets at 31 December 2020, the assets were impaired by £9,066k to £nil at the same date. The same had been impaired by £42,636k in 2019 to reflect a reduction in the expected economic life of the Company's existing software assets.

16. Plant and equipment

	2020	2019
Cost	£'000	£'000
As at 1 January	5,934	5,934
Additions	-	-
As at 31 December	5,934	5,934
Accumulated depreciation		
As at 1 January	2,594	1,981
Depreciation and impairment charge for the year	3,340	613
As at 31 December	5,934	2,594
Closing net book value	-	3,340
Opening net book value	3,340	3,953

Following a review of the carrying value of the plant and equipment at 31 December 2020, the assets were impaired by £2,226k (2019: £nil) to £nil at the same date.

17. Leases

The Company leases an office building, where the contract is fixed until November 2024, with a break clause in November 2019 that the Company has not exercised. IFRS 16 was adopted on 1 January 2019 for statutory reporting without restating prior year figures. Figures are shown on an IFRS 16 basis from 2019.

The balance sheet shows the following amounts relating to leases:

	2020	2019
Right-of-use assets - Building	£'000	£'000
As at 1 January	4,586	5,519
Depreciation	(859)	(933)
As at 31 December	3,727	4,586

17. Leases (continued)

Lease liability

	2020 £'000	2019 £'000
Maturity analysis - contractual undiscounted cash flow		
Not later than one year	1,117	1,064
After one year but not more than five years	3,218	4,169
Total discounted cash flow at 31 December	4,335	5,233

	2020 £'000	2019 £'000
Lease liabilities included in the statement of financial position as at 31 December:		
Current	1,054	1,024
Non-current	3,126	3,648
	4,180	4,672

Lease liability interest charged in the year on the right-of-use lease liability was £72k (2019: £218k) (note 2).

18. Investments

a) Investments in subsidiaries

	2020	2019
Cost	£'000	£'000
Balance at beginning of year	-	5,750
Capital contribution	-	300
Impairment of investment in subsidiary	-	(6,050)
Balance at end of year	-	-

The details of the Company's subsidiaries are set out below:

Held directly by the business	**Nature of business**	**Incorporated In**
Fairmead Distribution Services Limited (formerly Legal & General Distribution Services Limited)	Distribution company	England & Wales
Buddies Enterprises Limited ('Buddies')	Pet insurance intermediary	England & Wales

The registered office of both subsidiaries is 57 Ladymead, Guildford, Surrey, GU1 1DB. The subsidiaries are 100% owned and have a 31 December financial year end.

In 2019, the Company made a purchase of share capital in Buddies for £300,000. The carrying amount of Buddies was subsequently reduced to zero through the recognition of an impairment charged in other expenses.

19. Deferred acquisition costs

	Gross 2020 £'000	RI 2020 £'000	Gross 2019 £'000	RI 2019 £'000
As at 1 January	64,681	(35,359)	64,104	(12,725)
Acquisition costs movement in provision	(7,182)	(17,203)	577	(22,634)
As at 31 December	57,499	(52,562)	64,681	(35,359)
To be amortised within 12 months from the reporting date	57,499	(52,562)	64,681	(35,359)

20. Financial investments

	2020 £'000	2019 £'000
Financial investments designated as available-for-sale:		
Debt securities and other fixed income securities	170,556	-
Accrued interest	1,845	-
Financial investments at fair value through profit and loss:		
Investment funds	-	367,466
Accrued interest	-	242
	172,401	367,708
Expected to be received within 12 months from the reporting date	24,031	367,708
Expected to be received after 12 months from the reporting date	148,370	-
	172,401	367,708

All current year financial investments have been designated as available for sale whilst prior year financial investments are designated as fair value through profit and loss. This reflects a change in investment strategy as a result of the acquisition of the Company by the Allianz Group. This is discussed further in note 1(f). Financial investments have been allocated between those expected to be received within 12 months and after 12 months.

None of the financial investments have been pledged as collateral against derivative liabilities (2019: £nil).

Fair value hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

The following table presents the Company's assets by IFRS 13 hierarchy levels:

As at 31 December 2020	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment funds	-	-	-	-
Debt securities and other fixed income securities	170,556	73,702	96,854	-
Accrued interest	1,845	-	1,845	-
Total financial investments	172,401	73,702	98,699	-

As at 31 December 2019	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment funds	367,466	367,466	-	-
Debt securities and other fixed income securities	-	-	-	-
Accrued interest	242	242	-	-
Total financial investments	367,708	367,708	-	-

21. Insurance contract liabilities

	Gross 2020 £'000	RI 2020 £'000	Gross 2019 £'000	RI 2019 £'000
Provision for unearned premiums	208,113	(132,089)	225,321	(69,659)
Claims outstanding	193,038	(139,365)	164,770	(11,095)
Additional unexpired risk provisions	8,454	(4,033)	-	-
	409,605	(275,487)	390,091	(80,754)

Expected net insurance claim cash flows

	Date of undiscounted cash flow						Carrying value
	0-1 year	1-2 years	2-3 years	3-4 years	4+ years	Total	Total
As at 31 December 2020	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Claims outstanding	33,068	10,234	5,223	2,851	2,297	53,673	53,673
As at 31 December 2019							
Claims outstanding	121,294	21,885	5,735	2,005	2,756	153,675	153,675

Insurance cash flows are based on the expected date of settlement.

Movement in claims outstanding

	Gross 2020 £'000	RI 2020 £'000	Gross 2019 £'000	RI 2019 £'000
As at 1 January	164,770	(11,095)	132,942	(1,356)
Claims arising	266,559	(178,902)	251,934	(116,797)
Claims paid	(248,241)	59,929	(229,385)	107,169
Adjustments to prior year gross liabilities / reinsurance assets	9,950	(9,297)	9,279	(111)
As at 31 December	193,038	(139,365)	164,770	(11,095)

Movement in unearned premium

	Gross 2020 £'000	RI 2020 £'000	Gross 2019 £'000	RI 2019 £'000
As at 1 January	225,321	(69,659)	214,219	(71,020)
Movement in provision	(17,208)	(62,430)	11,102	1,361
As at 31 December	208,113	(132,089)	225,321	(69,659)

All unearned premiums are expected to be earned within one year.

22. Receivables

	2020 £'000	2019 £'000 Restated (note 1)
Receivables arising out of direct insurance operations - policyholders	93,845	102,727
Receivables arising out of direct insurance operations - intermediaries	42,817	60,364
Amounts owed by Legal & General Group plc - reinsurance receivables	-	14,877
Amounts owed by group undertakings - reinsurance receivables	348	-
Amounts owed by Legal & General Group plc undertakings	-	4,054
Amounts owed by group undertakings	14,661	484
Other prepayments and other receivables	13,023	15,381
Total prepayments and other receivables	28,032	34,796
Total receivables	164,694	197,887
Receivable within 12 months from the reporting date	164,694	197,887

Within Receivables arising out of direct insurance operations - policyholders, £2,975k (2019: £12,486k) is due from related parties. Within Receivables arising out of direct insurance operations - intermediaries, £275k (2019: £nil) due from related parties.

22. Receivables (continued)

As in the prior years, the Company does not have significant receivables that are past due and for which provision has not been made at 31 December 2020. A total bad debt provision of £4,523k was held at the statement of financial position date (2019: £2,840k) in regards to receivables arising out of direct insurance operations from policyholders and intermediaries where any payment is overdue for more than 60 days or there is specific concern over recoverability.

Other prepayments and other receivables includes imprest float balances provided to certain suppliers and managing general agent partners to fund policyholder claims payments of £9,945k (2019: £8,475k).

Included within 'Amounts owed by group undertakings' is £11,676k (2019: £nil) receivable from Allianz Societas Europaea ('Allianz SE'). This is money transferred by the Company to the group cash pool as part of the wider group cash management processes.

Included within 'Receivables arising out of direct insurance operations - intermediaries' is £1,064k (2019: £12,935k) due from Buddies, a wholly owned subsidiary of the Company, relating to premiums collected on behalf of the Company.

23. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	13,460	12,801

Included within cash is £nil (2019: £nil) held as collateral against derivative financial instruments.

24. Claims development tables

The tables below present changes in the historical provision for losses and loss adjustment expenses since 2014 and the provision for losses and loss adjustment expenses arising in each subsequent accident year.

The top section of the tables illustrate how the estimate of total claims outstanding for each accident year developed over time. The bottom section of the table reconciles the cumulative claims to the amounts appearing in the statement of financial position date.

Gross of reinsurance

Accident year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
Estimate of ultimate claims costs:								
- At end of accident year	168,787	171,681	152,102	168,852	234,502	241,444	249,256	1,386,624
- One year later	163,341	157,937	144,514	163,728	235,671	246,317	-	1,111,508
- Two years later	161,480	158,306	146,021	165,140	241,819	-	-	872,766
- Three years later	163,205	157,938	148,098	165,648	-	-	-	634,889
- Four years later	163,513	159,394	148,344	-	-	-	-	471,251
- Five years later	166,059	159,415	-	-	-	-	-	325,474
- Six years later	167,991	-	-	-	-	-	-	167,991
Estimate of cumulative claims	167,991	159,415	148,344	165,648	241,819	246,317	249,256	1,378,790
Cumulative payments	(164,558)	(157,141)	(145,253)	(162,774)	(225,680)	(212,561)	(122,372)	(1,190,339)
Outstanding claims provision	3,433	2,274	3,091	2,874	16,139	33,756	126,884	188,451
Outstanding claims provision for prior accident years								2,037
Claims handling provision								2,550
Total claims liabilities recognised in the statement of financial position								193,038

Net of reinsurance

Accident year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
Estimate of ultimate claims costs:								
- At end of accident year	168,487	171,100	151,456	168,233	183,691	138,433	76,607	1,058,007
- One year later	163,113	157,312	143,731	163,096	185,370	143,735	-	956,357
- Two years later	161,165	157,693	145,240	164,881	182,269	-	-	811,248
- Three years later	162,883	157,067	147,371	163,058	-	-	-	630,379
- Four years later	163,049	158,524	144,779	-	-	-	-	466,352
- Five years later	165,341	156,578	-	-	-	-	-	321,919
- Six years later	163,366	-	-	-	-	-	-	163,366
Estimate of cumulative claims	163,366	156,578	144,779	163,058	182,269	143,735	76,607	1,030,392
Cumulative payments	(164,173)	(156,484)	(144,781)	(163,263)	(180,189)	(127,646)	(39,796)	(976,332)
Outstanding claims provision	(807)	94	(2)	(205)	2,080	16,089	36,811	54,060
Outstanding claims provision for prior accident years								(1,662)
Claims handling provision								1,275
Total claims liabilities recognised in the statement of financial position								53,673

25. Provisions

Customer remediation redress provision	2020 £'000	2019 £'000
At 1 January	10,423	-
Provided during the year	4,045	10,423
Utilised during the year	(9,776)	-
At 31 December	4,692	10,423

During 2019, the Company identified matters arising from historic trading and operations within its household book of business expected to require customer redress. In each case the Company has provided for its best estimate of the cost of remediating customers from the date the matter first arose. The provision was based on a number of assumptions which as further information has emerged, have been revised. There continues to be a level of uncertainty over the number of customers due redress, which could be higher or lower than assumed, and the risk of regulatory intervention that could lead to an increase in the costs, but this is considered to be at a much reduced level compared to the prior year.

During 2020, an additional provision totalling £4,045k has been made so that the cumulative expected remediation cost recognised in the Statement of Comprehensive Income reflects the Company's best estimate of the total costs it will incur based on the latest information available for these remediation exercises. All remediation payments are expected to be defrayed during 2021.

26. Trade payables

	2020 £'000	2019 £'000
Payables arising from insurance and reinsurance contracts		
- agents, brokers and intermediaries	7,419	7,732
- reinsurers	23,851	33,971
	31,270	41,703

All trade payables are expected to be settled no more than twelve months after the statement of financial position date. Within trade payables arising from reinsurance contracts, £662k (2019: £nil) is due to related parties.

27. Other payables and financial liabilities

		2020 £'000	2019 £'000 Restated (note 1)
Amounts owed to Legal & General Group plc undertakings		-	21,834
Amounts owed to group undertakings		580	884
Other payables	(i)	22,207	22,405
Accruals		14,811	16,953
Reinsurance share of deferred acquisition costs (note 19)		52,562	35,359
Deferred instalment fee income (note 4)		-	2,420
		90,160	99,855

	2020 £'000	2019 £'000 Restated (note 1)
(i) Other payables		
Insurance Premium Tax ('IPT')	18,150	20,696
Sundry Creditors	4,057	1,709
	22,207	22,405

All other payables and financial liabilities are expected to be settled no more than twelve months after the statement of financial position date.

28. Commitments

a) Capital commitments
Authorised and contracted commitments payable after 31 December 2020 are £nil (2019: £nil).

b) Guarantee
The Company has provided an indemnity executed in favour of Legal & General Resources Limited ('LGRL') in respect of Flood Re arrangements and the requirement to provide uncapped indemnity for any data protection breaches relating to data provided by Flood Re (which includes local authority/council tax data). The agreement with Flood Re also requires Tata Consultancy Services ('TCS'), that provide software support and related systems maintenance to the Company under a separate contract between TCS and LGRL, to offer the indemnity as well as they act as an outsourced party in the arrangement. As the liability of TCS is capped in the agreement between TCS and LGRL, the Company executed this indemnity in favour of LGRL for any claim by Flood Re against TCS for breach where the claim exceeds the £30m cap.

29. Share capital

	2020 £'000	2019 £'000
Issued and fully paid:		
36,999,999 ordinary shares of £1 each	37,000	37,000

30. Retained earnings

	2020 £'000	2019 £'000
As at 1 January	65,989	113,836
Retained loss for the year	(44,044)	(47,847)
As at 31 December	21,945	65,989

31. Available-for-sale reserve

	2020 £'000	2019 £'000
Balance as at 1 January	-	-
Change in value of available-for-sale financial assets	2,418	-
Income tax on these items	(459)	-
Balance as at 31 December	1,959	-

32. Holding company

The immediate parent company is Liverpool Victoria General Insurance Group Limited.

On 31 December 2019, the Company was acquired by Allianz Holdings plc and ownership was subsequently transferred to a subsidiary of Allianz Holdings plc, Liverpool Victoria General Insurance Group Limited. The Company is part of the wider Allianz group of companies, whose ultimate parent company is Allianz SE.

The ultimate parent company is Allianz SE, a company incorporated in Germany, which is the controlling party. Allianz SE is the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. These financial statements therefore provide information about the Company as an individual undertaking. Copies of the financial statements of the ultimate holding company, Allianz SE, are available on request from Allianz SE, Koeniginstrasse 28, 80802, Munchen, Germany.

The smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Allianz Holdings plc.

33. Related Party Transactions

i) Key management personnel
Key management personnel represented by the members of the board of Directors are listed on page 10. Director remuneration is discussed in detail in note 9.

33. Related Party Transactions (continued)

ii) Transactions with group companies

The Company performed a number of transactions with Allianz group companies during the normal course of business. The following transactions were undertaken, and the corresponding balances receivable/(payable) at the year end.

On 31 December 2019, the Company was sold by Legal & General Group to Allianz. The transactions below that are with companies that continue to be part of the same group are those with Buddies Enterprises Limited ('Buddies') (k, l & m), Fairmead Distribution Services Limited (formerly Legal & General Distribution Services Limited) ('FDSL') (g), Liverpool Victoria General Insurance Group Limited ('LVGIG') (o), Allianz SE (p), PIMCO Europe Ltd ('PIMCO') (q), Allianz Re Dublin Designated Activity Company ('Az Re') (r) and Liverpool Victoria Insurance Company Ltd ('LVIC') (s).

	Credit/ (charge)		Receivable/ (payable)	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
a. Investment management portfolio	-	(1,116)	-	(184)
b. Liquidity management	-	14	-	(13,869)
c. L&G Group expense charges	-	(111,631)	-	(6,222)
d. Commission	-	355	-	-
e. i) Reinsurance written premium (LGAS)	-	(74,582)	-	14,949
ii) Reinsurance written commission (LGAS)	-	28,269	-	-
iii) Reinsurance claims (LGAS)	-	101,893	-	-
f. i) Reinsurance written premium (LGRe)	-	(85)	-	(72)
ii) Reinsurance written commission (LGRe)	-	2,609	-	-
iii) Reinsurance claims (LGRe)	-	4,636	-	-
g. Settlement of inter-company expenses	-	81	(555)	(399)
h. Investments in group investment funds	-	1,460	-	367,466
i. Revolving credit facility	-	(240)	-	-
j. Agency commission	-	-	-	(1,559)
k. Intermediary relationship with Buddies	(1,107)	(1,028)	275	1,363
l. Loan to Buddies	-	-	-	448
m. Policy servicing provided by Buddies	(494)	(1,421)	4,240	11,123
n. Payments on behalf of LGAS	-	335	-	4,054
o. Net integration cost expenses	7,492	-	1,720	-
p. Cash pool	37	-	11,676	-
q. Investment management fees	(104)	-	(25)	-
r. i) Reinsurance written premium (Az Re)	(230,324)	-	(39,008)	-
ii) Reinsurance written commission (Az Re)	73,524	-	10,747	-
iii) Reinsurance claims (Az Re)	93,809	-	27,947	-
s. Revolving credit facility with LVIC	-	-	-	-

a. Legal & General Investment Management (Holdings) Limited ('LGIM') managed the investment portfolio of the Company prior to the transfer to Allianz, and charged the Company a monthly portfolio administration fee.
b. Interest charged/(credited) on loan facilities by Legal & General Finance plc at LIBOR plus/ (minus) 0.125% respectively.
c. Prior to the transfer to Allianz Legal & General Assurance Society Limited ('LGAS') recharged the Company for all direct costs associated with the business and an allocated proportion of centralised costs.
d. The Company paid commission for business introduced by Legal & General Partnership Services Limited.
e/f. Reinsurance premium, commission and claims accepted/paid by LGAS and Legal & General Reinsurance ('LGRe') as part of a wider reinsurance treaty. The balance shown is the net position owed on the arrangements.
g. The Company settles expenses on behalf of FDSL, who subsequently reimburse the Company.
h. Prior to the transfer to Allianz the Company held investments in investment funds controlled and managed by Legal & General group of companies.
i. Commitment fee charged on a revolving credit agreement facility provided by Legal & General Group plc at 0.12%, prior to the transfer to Allianz .
j. LGAS recharge for agency commission that it paid on the Company's behalf.
k. The company sells Pet insurance through its subsidiary, Buddies , which acts as intermediary. Buddies receives commission in respect of the premiums sold on Buddies branded policies, and the balance of premium owed on the policies (net of commission) is treated as a receivable due from Buddies.
l. The Company provided a loan to its wholly owned subsidiary, Buddies. No interest is charged on the loan.
m. The Company uses its subsidiary Buddies to collect premium, service policies and claims in respect of of pet policies sold. The receivable is the premium owed by Buddies net of amounts payable to Buddies in respect of costs incurred that are recharged to the Company.

33. Related Party Transactions (continued)

ii) Transactions with group companies (continued)

n. Prior to the transfer to Allianz the Company paid expenses on behalf of LGAS in respect of its legacy general insurance business.
o. The net integration expenses recoverable from LVGIG.
p. The Company transfers money daily to Allianz SE cash pool for group cash management.
q. The Company engages the services of PIMCO to manage the investment portfolio.
r. Reinsurance premium, commission and claims accepted/paid by Az Re as part of the Company's catastrophe and liability reinsurance quota share treaty. The balance shown is the net position owed on the arrangements.
s. LVIC provides a revolving credit loan facility to the Company. Refer to note 35 for further details.

None of the above balances are secured on the assets of any group undertaking.

34. Critical accounting estimates and judgements

General comments regarding assumptions and methodology

Actuarial and statistical methods have been applied to the claims data to arrive at the estimates of the claim reserves gross and net of reinsurance. The reserve is the sum of the outstanding case estimates on the claims administration system, plus an amount for claims which have been incurred but have not yet been reported and an allowance for changes in the system case estimates. The most uncertain element of the reserve is the incurred but not reported (IBNR) amount.

The IBNR reserve can be thought of as the difference between the amount which will ultimately be paid minus the amount that has already been paid minus the amount reserved for as case estimates.
For the household business, IBNR includes not only claims which have not yet been reported, but also the positive or negative development of the case estimates attributed to reported cases, also known as IBNER (Incurred but not enough reported).

In cases where the claims data provided contains claims handling expenses, these are included and projected in the estimates of the claim reserves. In addition, allowance is made for unallocated claims handling expenses on outstanding and IBNR claims.

A margin is held over and above the best estimate IBNR reserve to allow for the uncertainty in reserves.
Various methods are used to determine the IBNR. The choice of method depends on the class of business and the peril being assessed. The methods are explained below:

Projection of paid and incurred claim amounts using the basic chain ladder method

These are methods for estimating the ultimate cost (and therefore the incurred but not reported claims) based on either the paid or the incurred (i.e. the paid claims plus the notified case estimates) claims data.

Development factors are calculated for each origin period which reflect the patterns of claim reporting and payment, and the relative adequacy of the notified case estimates over time. The choice of historic period for determining development factors is a matter of judgement.

Projection of the number of claims reported using the basic chain ladder method and application of average cost per claim methods

The basic chain ladder method described above is used to project the ultimate number of claims (and therefore the incurred but not reported claims) for each period. The ultimate cost is then estimated by multiplying the ultimate number of claims for each origin year by an appropriate average cost assumption. The average cost assumption is derived by taking account of historical data, trends and external industry data, and applying appropriate judgement.

Exposure based methods

Exposure based methods estimate the ultimate cost (and therefore the incurred but not reported claims) based on exposure measures relating to the origin years considered. The simplest exposure based method is the expected loss ratio method. The ultimate cost is estimated by multiplying the earned premium for the relevant origin period by an estimate of the loss ratio for that origin period. This selected loss ratio takes account of historical data, trends and other available information such as premium rating activity and requires judgement. The Bornhuetter-Ferguson approach combines the chain ladder method described above with the expected loss ratio method. This moderates the influence of the current development of the most recent origin years on the estimate of the ultimate cost. This can be beneficial in circumstances where the data for the most recent origin years is sparse or for longer tailed classes.

34. Critical accounting estimates and judgements (continued)

Key drivers of uncertainty in the Company's reserves

Uncertainty in the Company's reserves can arise from a number of factors both internal and external. For example:

- On Household, our biggest driver of uncertainty, IBNR claims could increase due to the emergence of latent claims for example, in liability following an adverse court judgement, or in subsidence as an improvement in the housing market leads to an increase in surveys and hence a greater number of cracks being noticed.
- A downturn in the economy could drive increased IBNR unemployment claims on the Accident, Sickness and Unemployment product, both in terms of increased frequency and increased claim duration.
- The choice of actuarial methods and the underlying assumptions within these models.

Given this uncertainty, it is Company policy to hold reserves above the best estimate. Usual policy is to hold reserves between the mean and 75th percentile of the overall distribution. The precise choice of percentile is based on seven criteria, which are given a low, medium or high rating. The overall score determines the percentile booked. The total margin held as at 31 December 2020 was 4.0% (2019: 3.2%) of the gross booked reserves (excluding claims handling expenses).

Reserving at this level provides a margin against reasonable levels of uncertainty, whilst avoiding excessive prudence for IFRS reporting purposes.

Covid-19 impact on claims

Our accident, sickness and unemployment ('ASU') product provides fixed monthly payments, for a maximum of 12 months, should the policyholder become unemployed. There has been an estimated £2m increase in net claims during the year compared to normal experience levels, although the potential impact was in part mitigated by the decision taken to pause underwriting new business alongside government actions to support the economy. In addition, the deferred period means that payments only begin after at least 30 days of unemployment, up to a maximum of 180 days. The pandemic has had a sudden and significant impact to the global and UK economy, resulting in increased unemployment which is expected to continue.

The impact on Household and Pet insurance has been less material and indeed increased losses in some perils such as accidental damage have been offset by decreases in other areas such as theft due to an increase in the time policyholders have spent at home. The net impact of Covid-19 on our Household and Pet claims during the year is estimated to be a reduction in the region of £5m compared to normal experience levels.

Business interuption cover

The Company is exposed to business interruption claims through its MGA business. Whilst this business is 100% reinsured, meaning there is no financial exposure, this does give rise to uncertainty in the gross claims figures. The Company is also responsible for the customer and regulatory aspects of this business. The Company has followed the guidance issued by the FCA regarding the management of Business Interruption claims, including the implications of the Supreme Court judgment, and the management of these claims is in line with this guidance.

Financial impact of the uncertainty

All figures in this section are based on the reserving exercise performed as at 31 December 2020.

Household

The household margin is 3.4% of the booked reserves (2019: 2.8%). This could be used to cover adverse IBNR experience, as well as adverse claims development.

Accident, sickness and unemployment

If non reinsurance backed IBNR claims increased by 50% the Company would need to hold an extra 6% (2019: 5%) of the best estimate reserve for this class of business (assuming these claims have the same average monthly benefit and duration as assumed in the best estimate calculation).

If all non reinsurance backed claimants were to claim for an extra month on top of what was assumed in the best estimate the Company would need to hold an extra 16% (2019: 20%) of the best estimate reserve for this class of business.

If these two events occurred at the same time the Company would need to hold an extra 23% (2019: 25%) of the best estimate reserve for this class of business. However, the probability of this occurrence is very small.

Premium uncertainty

Premiums are accounted for in the period in which the risk commences as gross written premium. Estimates are included for premiums not notified by the year end. For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The total gross written premium of such estimated premiums was £31,052k (2019: £30,780k). The total earned premium on such estimated premiums as at 31 December 2020 was £3,426k (2019: £3,371k)

35. Risk management and control

The Company's primary objective in undertaking risk management activity is to manage risk exposure in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Company's risk appetite, is in place for material exposures.

A significant part of the Company's business involves the acceptance and management of risk. The Company operates a formal risk management framework to ensure that all significant risks are identified and managed.
Financial risk is categorised as follows:

- Insurance risk;
- Market risk;
- Credit risk;
- Liquidity risk; and
- Operational risk.

In addition, the Company sets out considerations in respect of Brexit and the COVID-19 pandemic below.

Insurance risk
Insurance risk arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks. Insurance risk is managed using the following techniques:

Policies and delegated authorities for underwriting, pricing and reinsurance
The Company's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place. Pricing is based on assumptions which have regard to past experience and expected future trends. Insurance exposures are limited through reinsurance.

The principal general insurance reinsurances are excess of loss catastrophe treaties and proportional reinsurance. Under the excess of loss catastrophe treaty, the cost of claims from a weather event, in excess of an agreed retention level, is recoverable from reinsurers. Under the proportional cover the reinsurer receives a share of premium and in return pays the same share of claims. This reinsurance acts after the excess of loss catastrophe treaty.

Reserving policy
The Company has a documented reserving policy setting out the basis on which liabilities are to be determined using statistical analysis and actuarial experience.

The principal products of the Company are:

Household (2020 GWP: £360,449k; 2019 GWP: £407,247k)
These contracts provide cover in respect of householders' homes, investment properties, contents, personal belongings and incidental liabilities which they may incur as a property owner, occupier and individual. Exposure is normally limited to the rebuilding cost of the home, the replacement cost of belongings and a policy limit in respect of liability claims. The Company uses reinsurance to manage the exposure to an accumulation of claims arising from any one incident, usually severe weather. The catastrophe cover in place up to the end of 2020 reinsured the Company for losses between £40m and £625m (2019: £50m and £630m) for a single event. This catastrophe cover acts after a 100% quota share treaty acting on business from Managing General Agents ('MGAs'), which has been effective from 31 December 2019. A single household policy can result in a large liability claim. To mitigate the risk, accident excess of loss reinsurance is in place for claims in excess of £0.75m (2019: £0.75m). A quota share treaty is in force that reinsures 50% of all business meaning 50% of all premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims being recovered from the reinsurer.

A new catastrophe treaty came into force from 1 January 2021 to 31 December 2021 which is a joint treaty which covers the whole of Liverpool Victoria General Insurance Group ('LVGIG'). This treaty provides protection to Liverpool Victoria Insurance Company Ltd ('LVIC'), Highway Insurance Company Ltd ('HICO') and the Company. Under this treaty all losses in the Group are combined and ceded to the treaty. The treaty reinsures the Group for total losses between £30m and £965m for a single event. This cover acts after the 100% quota share treaty acting on business MGAs, effective from 31 December 2019.

Accident, sickness and unemployment (2020 GWP: £13,655k; 2019 GWP: £13,382k)
These contracts provide cover in respect of continuing payment liabilities incurred by customers when they are unable to work as a result of accident, sickness or unemployment. They protect predominantly mortgage payments. Exposure is limited to the monthly payment level selected by the customer sufficient to cover the payment and associated costs, up to the duration limit specified in the policy, usually 12 months. From 1 January 2020, a quota share treaty is in force which reinsures 50% of all business meaning 50% of all earned premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims incurred being recovered from the reinsurer.

35. Risk management and control (continued)

Insurance risk (continued)

Pet (2020 GWP: £30,967k ; 2019 GWP: £27,861k)
These contracts provide cover in respect of veterinary expenses incurred treating policyholder's pets. Liability cover is also provided up to a limit of £2m (2019: £2m). To mitigate the risk, accident excess of loss reinsurance is in place for claims in excess of £0.5m (2019: £0.5m). From 1 January 2020, a quota share treaty is in force which reinsures 50% of all business meaning 50% of all earned premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims incurred being recovered from the reinsurer.

Key risk factors

Weather events
Significant weather events such as windstorms, coastal and river floods and prolonged periods of freezing temperatures can lead to significant claims.

Concentration
The insurance of properties which are concentrated in high risk areas, or an above average market share in a particular region, can give rise to a concentration of insurance risk. This risk is managed by ensuring that the risk acceptance policy, terms and premiums both reflect the expected claim cost associated with the location and avoid adverse selection. Additionally, exposure and competitor activity is monitored by location to ensure that there is a geographic spread of business. Catastrophic reinsurance cover reduces the Company's exposure to concentration of risk. The catastrophe reinsurance is designed to protect against up to a modelled windstorm and coastal flood event with a return probability of at least 1 in 500 years (2019: 1 in 200 years).

Subsidence
The incidence of subsidence can have a significant impact on the level of claims on household policies. The Company's underwriting and reinsurance strategy mitigates the exposure to concentrations of risk arising from geographic location or adverse selection.

Economic downturn
Periods of rapid and prolonged national economic downturn can create significant variation in the frequency and severity of accident, sickness and unemployment claims experience.

Market risk
The Company's exposure to market risk is influenced by external factors such as changes in interest rates and credit spreads. Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates. Credit spread risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in credit spreads above the risk-free rate. The Company is exposed to these risks on the investment portfolio that is maintained to meet the obligations to policyholders. During the year, the Company invested in government and corporate bonds and so is not exposed to equity and property price fluctuations.

The Company invests in GBP denominated assets only and so is not exposed to losses as a result of fluctuations in the value of, or income from, assets denominated in foreign currencies.

Credit risk
Credit risk is the exposure to loss if another party fails to perform its financial obligations to the company.

The Company's exposure to credit risk includes:
- Banking counterparty risk;
- Investment counterparty risk;
- Reinsurer credit risk; and
- Premium debtor and supplier prepayment risk.

Banking and investment counterparty risks are controlled through limits on the exposure to individual counterparties. Reinsurer credit risk is controlled through a requirement that all reinsurers have S&P ratings of A- or better or AM Best rating of A- or better and who are approved by the Allianz Group Risk Security Vetting Team for the type of business being reinsured. Limits are placed on premium and supplier risks to mitigate exposure.

The credit profile of the Company's assets exposed to credit risk is shown in the table below. The credit rating bands are provided by independent rating agencies. For unrated assets, internal ratings are maintained which are used to manage exposure to these counterparties. No provision for impairment has been made at year end (2019: £nil) on the basis that balances are considered to be recoverable, other than that in respect of premium debtors disclosed in note 22.

35. Risk management and control (continued)

Credit risk (continued)

	AAA £'000	AA £'000	A £'000	BBB £'000	BB & below £'000	Unrated £'000	Total £'000
As at 31 December 2020							
Government debt securities	61,389	51,607	18,302	38,248	1,010	-	170,556
Accrued interest	668	280	199	682	16	-	1,845
Cash and cash equivalents	-	-	13,460	-	-	-	13,460
Financial assets excluding Investment funds	62,057	51,887	31,961	38,930	1,026	-	185,861
Reinsurers' share of contract liabilities	-	263,689	11,782	-	-	16	275,487
Receivables (note 22)	-	13,453	1,344	-	2,401	147,496	164,694
	62,057	329,029	45,087	38,930	3,427	147,512	626,042

	AAA £'000	AA £'000	A £'000	BBB £'000	BB & below £'000	Unrated £'000	Total £'000
As at 31 December 2019 (restated note 1)							
Government debt securities	-	-	-	-	-	-	-
Accrued interest	242	-	-	-	-	-	242
Cash and cash equivalents	-	-	12,801	-	-	-	12,801
Financial assets excluding Investment funds	242	-	12,801	-	-	-	13,043
Reinsurers' share of contract liabilities	-	72,747	7,993	-	-	14	80,754
Receivables (note 22) (restated note 1)	-	2,662	1,477	-	2,760	190,988	197,887
	242	75,409	22,271	-	2,760	191,002	291,684

There has been a change in investment strategy as a result of the acquisition of the Company by the Allianz Group. The Company's portfolio from 2020 contains Government, Corporate and Covered bonds hence the significant increase in debt securities. As at 31 December 2019, all the Company's investments were transitioned into a Sterling Liquidity Fund, rated AAA, as a condition of the sale of the Company.

Liquidity risk

Liquidity risk is the risk that the Company either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can only secure such liquid financial resources either at an excessive borrowing cost relative to that achieved in the recent past or that typically payable by a comparably rated borrower or through the sale of illiquid assets at a price significantly below the fair value of such assets in the recent past.

The Company maintains sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from all contingent events with a probability of occurrence of up to 1 in 200 years, as identified through stress and scenario testing and the annual planning process.

The Company has access to a £150m revolving credit facility provided by LVIC. The agreement with LVIC has been in force since September 2020 and expires on 31 December 2023. The revolving credit facility is sufficient to cover the liquidity requirements arising from a 1 in 200 catastrophe event modelled in the stress and scenario testing exercise. The sufficiency of the facility is regularly monitored by the Fairmead Insurance Product, Investments and Capital Committee ('PICC').

The Company's investment portfolio is entirely made up of highly rated government and corporate bonds. These assets are also considered to be appropriate sources of liquidity .

The following aspects of liquidity risk are relevant to the Company:

Projected market conditions cash flow risk
The risk that a change in the economy, market conditions or the business environment may change the size or timing of the financial obligations resulting in the need to increase its liquidity levels.

Cash flow timing risk
The risk that the actual timing of cash flows may vary to those projected. However, the nature, type and effect of timing differences will differ for those associated with insurance business funds.

35. Risk management and control (continued)

Liquidity risk (continued)
Contingent liquidity risk
The risk from the occurrence of high impact events for which no provision has been made in liquidity forecasts due to the events having an extremely low probability of occurrence. Such events giving rise to contingent liquidity risk may include:
- External events, particularly those of a catastrophic nature, which may give rise to significant number of claims or policy withdrawals requiring settlement; and
- A significant failure in internal controls either resulting in direct financial loss or the need to pay redress to customers who may have suffered disadvantage as a result of failure.

Operational risk
The Company aims to implement cost-effective controls to reduce operational risk exposures. Control performance is monitored regularly and weaknesses or failures reported, with appropriate action plans. The Risk and Compliance Committee reviews operational risk exposures and controls bi-monthly.

Internal processes and customer service standards while carefully controlled and managed may fail or be impacted by external factors such as fraud or terrorist action giving rise to adverse customer reaction and a resultant loss to the Company; either a monetary loss or a loss of future sales.

Brexit risk
The United Kingdom ('UK') officially left the European Union ('EU') on 31 January 2020 and finalised a new trade deal on 24 December 2020. As the Company's operations are UK based, the Company has not experienced and does not foresee any material exposure to Brexit risk on the business operations.

Covid-19 risk
The Company has reviewed and considered the impact of the COVID-19 pandemic and the wider economic consequences on the Company's resources and concluded that this does not pose a material threat to the business prospectively.

The Company, together with its parent Group, closely reviews the effects of COVID-19 on the Company's operations in line with government advice and Allianz Group policies. During the year, there has been a focus on our employees, with activity to encourage working remotely, promoting mental health and well being; whilst continuing to prioritise customers' needs and providing the service they would expect.

The development of the Covid-19 pandemic has had a notable impact on the business, but most particularly from an operational perspective. Throughout the pandemic, the Company has continued to provide critical services to customers and during the year rapidly increased its remote working capabilities so a majority of operations can now be carried out remotely.

Our accident, sickness and unemployment ('ASU') product provides fixed monthly payments, for a maximum of 12 months, should the policyholder become unemployed. There has been an estimated £2m increase in net claims during the year compared to normal experience levels, although the potential impact was in part mitigated by the decision taken to pause underwriting new business alongside government actions to support the economy. In addition, the deferred period means that payments only begin after at least 30 days of unemployment, up to a maximum of 180 days. The pandemic has had a sudden and significant impact to the global and UK economy, resulting in increased unemployment which is expected to continue.

The impact on Household and Pet insurance has been less material and indeed increased losses in some perils such as accidental damage have been offset by decreases in other areas such as theft due to an increase in the time policyholders have spent at home. The net impact of Covid-19 on our Household and Pet claims during the year is estimated to be a reduction in the region of £5m compared to normal experience levels.

35. Risk management and control (continued)

Sensitivity analysis

a) *Claims events*
The following table shows material sensitivities to claims events for the Company on pre-tax profit and equity, net of reinsurance. This analysis has been carried out prospectively taking into account the reinsurance the Company had in place from 1 January 2021 (2019: 1 January 2020).

	Impact on pre-tax profit net of reinsurance	Impact on equity net of reinsurance	Impact on pre-tax profit net of reinsurance	Impact on equity net of reinsurance
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Sensitivity test				
Single storm event with 1 in 200 year probability	(13,348)	(10,812)	(25,625)	(21,141)
Subsidence event - worst claim ratio in last 30 years	(16,788)	(13,598)	(34,390)	(28,372)
5% decrease in overall household claims ratio	6,233	5,049	9,938	8,199
5% surplus over claims liabilities	2,783	2,254	3,844	3,171

A new catastrophe treaty came into force from 1 January 2021 to 31 December 2021 which is a joint treaty which covers the whole of LVGIG. This treaty provides protection to LVIC, HICO and the Company. Under this treaty all losses in the Group are combined and ceded to the treaty. The treaty reinsures the Group for total losses between £30m and £965m (2019: nil as first year with LVGIG group treaty) for a single event. When the treaty is adjusted for the Company's exposure only, the treaty is equivalent to providing protection for Company losses between £16m and £505m (2019: between £40m and £625m).

For any single event with claims in excess of £16m (2019: £40m) but less than £505m (2019: £625m) the ultimate cost to the Company, before quota share reinsurance but after MGA reinsurance, would be £16m (2019: £40m) plus the cost of the reinsurance reinstatement premium and claims handling expenses. This reduces to £8m (2019: £20m) plus half the cost of the reinsurance reinstatement premium and claims handling expenses once quota share reinsurance is allowed for. The impact of a 1 in 500 year modelled windstorm and coastal flood event would not exceed the catastrophe cover, with an estimated total cost to the Company of £30m (2019: £71m) allowing for quota share. This reduces to £15m (2019: £36m) once quota share reinsurance is allowed for. For the purposes of calculating the recoveries from the joint treaty the above sensitivities assume LVIC and HICO would also experience catastrophe losses in line with their exposure.

b) *Market conditions*
The table below provides management estimates of the impact on the Company's pre-tax profit and equity to changes in market conditions.

	Impact on pre-tax profit	Impact on equity	Impact on pre-tax profit	Impact on equity
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Sensitivity test				
100bps increase in interest rates	(4,721)	(3,824)	-	-
100bps increase in credit spreads	(3,330)	(2,697)	-	-

As at 31 December 2020, all investments are in government and corporate bonds and so the Company's material exposures are to interest rate risk and credit spread.

As at 31 December 2019, all investments were held in a LGIM Sterling Liquidity Fund. The underlying investments within the fund were bank deposits and short dated bonds with maturity typically around 3 months. This meant there was some exposure to interest rate and credit spread changes. However this was not modelled for the 2019 sensitivity tests due to immateriality.

Capital
The Company's capital resources are measured and monitored on a regulatory basis and to comply with the minimum capital requirements. Following the implementation of the Solvency II regulatory regime, as adopted by the Prudential Regulation Authority (PRA), which came into force on 1 January 2016, capital resources are managed on a Solvency II basis. The regulatory capital requirement is determined using the Standard Formula. This was previously determined using the Company's PRA approved internal model. However following the acquisition of the Company by Allianz Holdings plc, application was made to the PRA to revoke the Internal Model approval, and this was granted with effect from completion of the acquisition on 31 December 2019.

35. Risk management and control (continued)

Sensitivity analysis (continued)

b) *Market conditions (continued)*

Capital (continued)
The capital that the Company needs to hold above its liabilities to meet the Company's objectives and ensure continued solvency is assessed on a quarterly basis, and the results of these calculations are presented to relevant internal governance forums. Solvency ratios are disclosed in detail in the Company's Solvency and Financial Condition Report (SFCR) which can be found on the Allianz website: https://www.allianz.co.uk/about-allianz/our-organisation/financial-results.html. As at 31 December 2020 the Company held £62m (2019: £36m) of surplus Own Funds above the SCR requirement, representing a regulatory capital coverage ratio of 179% (2019: 128%). This buffer of capital resources over the regulatory requirement ensures that we are able to more than meet our insurance obligations after a 1-in-200 year event. In line with our risk management approach, we maintained an appropriate capital buffer throughout the previous year and remain well above our risk appetite action level.

The risk appetite, which is set by the Board of Directors, sets out the Company's approach for managing own funds, target capital coverage ratios and actions to be taken when managing Own Funds. The Company aims to maintain an appropriate buffer of capital resources over the regulatory capital requirements and the internal liquidity targets. The capital coverage is projected over the business planning horizon. Solvency and liquidity levels are monitored on a monthly basis, and used to inform any dividend recommendations.