Registered number: 03232514

Annual Report and Financial Statements 2022

Liverpool Victoria Insurance Company Limited

Contents

Company Information

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Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report for the year ended 31 December 2022.

Principal activities

Liverpool Victoria Insurance Company Limited (“LVIC”, “the Company”) is a wholly owned subsidiary within the Allianz Holdings plc ("AZH") group of companies (“the Group”) which is one of the largest general insurers in the United Kingdom (“UK”) measured by gross written premium. The Company's principal purpose is the undertaking of general insurance business through both the direct and broker distribution channels. The primary sources of premium income are from the sale of motor insurance products and home insurance products. Motor insurance products include private car, specialist car and motorcycle. The Company also underwrites road rescue, pet and travel Insurance.

As part of the acquisition of its immediate parent, Liverpool Victoria General Insurance Group Limited ("LVGIG"), which concluded on 31 December 2019, by AZH, the Company ceased writing Commercial broker new business. The Commercial broker business represented a separate major line of business for the Company and is therefore presented as a discontinued operation. The discontinued operations are therefore shown on one line only in the Statement of Profit and Loss and Other Comprehensive Income.

On 3 January 2020, LVGIG purchased Legal and General Insurance Limited, ("LGIL") subsequently renamed as Fairmead Insurance Limited ("Fairmead"). Fairmead is a UK non-life insurance business focused on Home insurance. The Fairmead migration completed in 2022, going live with a new home offering including Home Legal and Home Emergency written by LVIC's subsidiary, Highway Insurance Company Limited.

The Company distributes products under a number of brands, supported by other Group subsidiaries and the shared services. An analysis of the 2022 results and the prospects for 2023 are set out below.

The Company is a member of the Association of British Insurers ("ABI") and is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Its activities are covered by the Financial Ombudsman Service.

Business Review

Throughout 2022, the Company continued to be recognised externally for its achievements. The LV brand ("LV=") was named a Which? Recommended Provider for car insurance for the 8th year in a row and was recognised as a top three home insurer.

During 2021, the Group was restructured to create two trading divisions, Allianz Personal and Allianz Commercial, supported by the integrated shared services of Finance, Risk and HR. This structure aligns with the distinct needs of our individual customer groups and gives more scope to benefit from shared knowledge and scale whilst simplifying our business and enabling a focus on specific segments. The products sold by the Company fall within the scope of the Allianz Personal wider division. This division includes Speciality products such as Animal Health and musical instruments.

LV= continues to leverage its position as a subsidiary of Allianz Holdings Plc as well as part of the Allianz SE Group globally. Allianz Holdings Plc, which was recognised for its achievements as an inclusive employer ranking 14th in the Inclusive Top 50 UK Employers and achieving Silver in the Stonewall Workplace Equality Index. Allianz SE ("Allianz") Group was the number 1 globally operating insurance brand in the Brand Finance Global 500 and for the fourth year running, Allianz was the world’s number one insurer in Interbrand’s Best Global Brands Ranking.

In December 2022, as part of continued alignment, all third party withheld contracts, which included the 2015 Loss Portfolio Transfer ("LPT") arrangement and Quota Share ("QS") 2016-2018 accident years were commuted. In addition on 30 December 2022, the Allianz Re 2019/2020 QS was commuted and replaced with a 40% LPT with Allianz Re.

The UK continues to experience tough economic conditions with the heightened inflationary environment continuing to pose a significant challenge to the market. As a result, significant rate increases have been implemented and this will continue to be closely managed with latest expectations that inflation will remain high until the end of 2023. In addition, several large weather events throughout the year and the implementation of the FCA General Insurance Pricing Practices ("GIPP") added to the tough trading conditions. Despite this, the Company achieved top line growth however returned an underwriting loss for the year with a Combined Operating Ratio ("COR") of 110.3% (2021: 94.5%).

Strategic Report for the Year Ended 31 December 2022 (continued)

Gross written premiums grew by 18.0% to £1,430.0m (2021: £1,211.4m) with underlying policy growth (excluding an exited partnership) of 19.6%. Motor product growth was supported by the introduction of Flow, LV's fully digital Motor insurance product, which grew by over 250,000 policies in 2022. This was in addition to significant rate increases implemented to mitigate inflationary impacts. Home products experienced strong growth as a result of the migration of policies from Fairmead following the acquisition in 2020, resulting in the Company now having more than one million Home policies. Other product lines were slightly lower than 2021 levels, with Travel growing following the removal of the final COVID-19 lockdown restrictions. This more than offset a reduction in Britannia Rescue due to a partnership exit.

From 1 January 2022, all UK insurers are required to ensure that customers' renewal prices are no greater than new business prices for Home and Motor products, as part of the FCA's GIPP remedy. In advance of this change, new tariffs utilising machine learning pricing models (developed in conjunction with Willis Towers Watson) were implemented by LV= on our Retail Motor and Retail Home accounts to ensure our products remain both compliant and profitable in the new environment.

Claims performance saw significant pressure in 2022 as a result of high inflation and several significant weather events. Motor experienced a multitude of challenges including rising repair costs, labour shortages and supply chain issues. Motor claims frequency continued to increase in 2022 as drivers returned to the road after the final COVID-19 lockdown, however it remained below pre-pandemic levels. The February storms, subsidence claims from prolonged dry weather in the summer and the freezing weather in December meant that the number of Home claims was higher than anticipated.

The claims margin held in addition to the actuarial best estimate has reduced over 2022. The drivers of the reduction include; greater certainty being gained surrounding the impact of the whiplash reform implemented in 2021, an improved outlook for the Ogden Discount Rate change in 2024, an assumption review on PPOs and a reduction in the amount held against excess inflation following best estimate assumption reviews throughout the year.

Strong cost disciplines were maintained through controlling acquisition costs and operating expenses, despite inflationary pressures. Investment in staff, systems, marketing and infrastructure has continued to ensure that the Company is well placed to deliver its profitable growth strategy.

Investment income has benefited from higher yields however this is partially offset by impairments and realised losses, some of which relate to Ukraine. The Company reported unrealised losses of £149.8m (2021: £39.0m). Overall, the Company has reported a loss before tax from continuing operations of £74.7m in 2022, a reduction from a profit before tax of £110.4m in 2021.

LVIC continues to meet its solvency and capital requirements as required by regulation. As the solvency ratio as at 31 December 2022 of 123.2% is below the management ratio level of 130%, a capital injection of £60.0m was approved on 9 March 2023 to be made into LVIC. This capital injection strengthens the SCR coverage ratio of the Company to circa 140%.

The Company reviewed the value of its investment in the subsidiary company, Highway Insurance Group Limited ('HIG'). The carrying value of HIG is £219.6m which includes a capital injection of £25.0m during 2022. The review of the Net Asset Value over that carrying value has indicated the need to complete an impairment assessment. The Company has relied upon the value in use method and impaired the value of the underlying subsidiary, HIG by £35.0m.

There have been restatements across several financial statement line items and risk management notes to reflect presentational changes as a result of alignment to ensure consistency and conformity with the financial statements of Allianz Insurance Plc. These have all been identified as restated within the financial statements and the respective notes.

Strategic Report for the Year Ended 31 December 2022 (continued)

Key performance indicators

The key financial performance indicators monitored by the Company are (all pre-quota share except where indicated):

	2022 £ m	Restated* 2021 £ m
Gross written premium	1,430.0	1,211.4
Net written premium	1,362.2	1,154.0
Underwriting result(1)	(100.1)	96.8
(Loss)/profit before tax(5)	(73.7)	109.1
Claims ratio(2)	83.1%	68.2%
Expense ratio(3)	27.2%	26.3%
Combined ratio(4)	110.3%	94.5%
SCR coverage ratio(5)	123.2%	161.1%

*The prior year comparatives have been restated to show the change in basis to pre-quota share where appropriate.

(1)Underwriting result is the sum of premiums earned less incurred claims and expenses.

(2)Claims ratio is defined as incurred claims as a percentage of earned premiums.

(3)Expense ratio is defined as incurred expenses and commission as a percentage of earned premiums.

(4)Combined ratio is defined as incurred claims, expenses and commission as a percentage of earned premiums.

(5)Post quota-share

The underwriting result can be reconciled to the (loss)/profit before tax reported in the Statement of Profit and Loss and Other Comprehensive Income on page 35 as follows:

	2022 £ m	Restated* 2021 £ m
Underwriting result	(100.1)	96.8
Impact of quota share	27.1	(23.9)
Investment income net of finance costs	23.8	27.5
Net realised (losses)/gains	(8.5)	1.7
Other income	46.5	40.8
Other operating and administrative expenses	(27.5)	(33.8)
Impairment in investment in group undertakings	(35.0)	-
(Loss)/profit before tax	**(73.7)**	**109.1**

*The prior year comparatives have been restated to show the change in basis to pre-quota share where appropriate.

The key non-financial performance indicators monitored by the Company are:

Net Promoter Score ("NPS") performance - LVGIG:
- Achievement: Achieved Loyalty Leader in 2022.
- Target: Maintain Loyalty Leader in 2023.

Customer satisfaction is measured at an LVGIG level (incorporating the Company). NPS is an important indicator of our customer service which captures customer willingness to recommend us and is benchmarked against our competitors. The survey is managed by YouGov and provides an external and independent perspective. The achievement of Loyalty Leadership is a credit to our frontline teams.

Principal risks and uncertainties

We continually assess the principal risks and uncertainties facing our business, monitoring potential impacts and where necessary implementing mitigation and management solutions. Details of our principal risks and uncertainties can be found below and in note 31.

The Risk Function, alongside Internal Audit and Compliance, monitor both known and unknown risks that could affect Allianz, while collaborating with the business units to mitigate any identified issues. In 2022, particular focus was on:

- **Inflation and the macro-economic environment** - inflation continues to bring material uncertainty to current and future performance and has created challenging trading conditions. The impacts which have been experienced include supply chain issues caused by materials shortages, rising energy costs, claims inflation costs, increased general expenses as well as the impact on asset valuations of increased interest rates and credit spreads. The risks associated with the macro-economic conditions are likely to extend into the medium term in the context of a potential UK recession in 2023 and the continued impact of the war in Ukraine.
- **Information security** - throughout 2022 enhancements were made to the capabilities and effectiveness of the Group's cyber defences and abilities to prevent, detect and respond to the risks posed by cyber threats.
- **Management stretch** – a significant and complex change agenda throughout the Company, in part relating to new regulation, has increased the risk of management stretch impacting the delivery of the business plan.
- **Supplier risk** – underperformance of third-party suppliers is a material contributor to operational incidents. The Company continues to carefully monitor third parties in order to ensure its on-going operational resilience.
- **Transformation** – an extensive change programme exists within the Company consisting of various business and regulatory priorities. Any cost challenges or delays could impact competitive positioning in the longer term.
- **Brand risk** – with cost of living challenges as well as pricing changes required by the FCA's General Insurance Pricing Practices reforms, the risk to the Company's brands from negative media and customer perception has heightened during 2022.
- **Conduct risk** - the continued Company focus on the importance of doing the right thing for our customers, recognising and responding to the needs of those more vulnerable in the current economic climate arising from the pandemic. In 2022, we continued to enhance our activities, management information and oversight of Conduct Risk throughout the business. The Customer and Conduct Committee plays a key role in providing oversight and control of conduct risk.
- **Climate change** - ensuring we remain a conscientious company which considers sustainability in all our business activities is a key focus across the Allianz SE Group and locally in the UK. Continued progress is being made towards our Environmental, Social, Governance ("ESG") and Climate Change ambitions, with significant work undertaken in our Underwriting and Investment departments.
- **People risk** – the macro-economic environment and market conditions have generally led to increased attrition and difficulty in recruiting and retaining people with the required skills and capability.

During 2022, the UK economy has experienced great uncertainty and turmoil not only due to geo-political and macro-environmental conditions caused by the Ukraine conflict, but also due to the domestic political uncertainty which has seen 3 different Prime Ministers in the space of 4 months. Whilst a technical recession has been avoided for now, the risk of entering a recession remains heightened in 2023.

The ongoing conflict in Ukraine continues to be a source of uncertainty for the Company. Management have reviewed the risks to the Company, considering in particular, underwriting and direct investment exposures along with the wider macro-economic impacts of sanctions, information security threats and potential disruption to the supply chain.

Whilst the Company has no direct underwriting exposure to Russia or Ukraine, we are closely monitoring any impacts of events in Ukraine on claims' supply chains and inflation for our core Motor portfolio. During 2022, external factors including the crisis in Ukraine led to a material rise in claims inflation. Looking forward, the long-term effects are uncertain and dependent on the duration of the disruption.

Strategic Report for the Year Ended 31 December 2022 (continued)

The wider macro-economic impacts including those arising from sanctions and further upward pressure on inflation are primarily driven by rising energy costs. This further increases the pressure on our customers and the cost of our claims liabilities. The Company also recognises that in response to sanctions, there is a risk of state sponsored cyber-attacks targeted at the UK, resulting in disruption to national infrastructure or third party organisations in the supply chain. Through monitoring of emerging threats and identification of incidents, our organisational structure enables a coordinated response to cyber events within our local and global Crisis Management framework.

Due to the high-inflationary environment, pricing has been a challenging area for the Company as well as the broader market. In particular, to achieve a sufficient level of rate that covers claim inflation whilst being commercial but also competitive. These challenges are likely to continue into 2023.

The investment strategy of the Company is to invest in a high quality, well diversified investment portfolio that maximises investment return, subject to solvency, liquidity, asset liability matching and other constraints. The strategy aims to minimise risk to the core insurance operations from which the investment cash flows are derived. In respect of underwriting risk, Allianz has a robust control environment around underwriting and also has reinsurance arrangements in place providing risk mitigation.

Our investment portfolio is well diversified and high quality. During 2022, operating investment income performed strongly due to rising reinvestment yields and higher income from floating rate assets (covered bonds, floating rate notes). Investment non-operating income suffered from realised losses and impairments. The Company impaired a number of Russian, Ukrainian and Belarussian bonds as result of the Russian invasion of Ukraine. Overall liquidity remains strong with a sufficient level of cash being retained in the Allianz SE Group cash pool (an Allianz SE treasury service which optimises surplus cash returns by investing in short term money market instruments) and another money market fund.

Future outlook

We move into 2023 in a strong position despite the ongoing competitive market conditions in the UK and challenges presented by the economic environment, in particular the increased rate of inflation which is expected to remain at high levels until the end of the year. The Company is well equipped through its wide diverse product portfolio, customer relationships and robust financial position to manage these challenges and continue to deliver for customers and brokers. Inflation will continue to be monitored and appropriate actions taken to ensure pricing is adequate to maintain profitability and cover increased claims costs whilst offering competitive solutions for customers.

Building on the success of the Allianz SE group’s ‘Renewal Agenda’ global strategic blueprint, we’re placing ‘simplicity at scale’ at the core of our operations. By achieving a consistent look and feel across client interfaces, simple and transparent products and processes, as well as quicker customer service, we expect to achieve significant productivity and efficiency gains that will benefit our customers, employees and stakeholders.

Underpinned by the stability and scale of Allianz globally, the Company continues to invest in digitalisation, simplifying our business and, above all, our focus on customers. The company will also be striving for growth in ElectriX, a one-stop shop offering drivers everything they need to get on the road with an electric car, as ownership of electric vehicles increases over the coming years.

Premium income at a gross level is expected to increase in 2023 with growth across all products. The Company continues to look into new distribution channels and partnerships to obtain and support new customers. The quota share reinsurance will remain at 40% for 2023, which will continue to reduce net premium income in return for a reduction in the capital required.

Profitability is expected to improve through 2023 as the benefits of the continued investment in productivity initiatives and technical excellence are realised, supported by premium growth as a result of both volume and price increases. The Company remains vigilant with respect to claims fraud and continues to maintain good underwriting and pricing discipline with a focus on pursuing long term profitable growth. By definition, insurance is an uncertain business and profitability in 2023 is susceptible to further impacts as a result of economic uncertainty, as well as the potential for a higher than expected level of major claims or weather events. However, the Company will continue to monitor these impacts, in particular the impact of climate change on the frequency and severity of weather events.

Going concern

The Directors, having undertaken an assessment, are confident in the Company's ability to continue as a going concern. The business is well placed in managing the principal risks and uncertainties, has a strong financial, trading and capital position and is owned by one of the largest property and casualty insurers in the world.

Section 172(1) Companies Act 2006 Statement

Section 172 (1) of the Companies Act 2006 requires the Directors of a Company to act in a way that promotes the success of the company for the benefit of its members as a whole. The Directors of the Company are committed to promoting a healthy corporate culture and understand that striving to achieve the Company’s strategic aims will ultimately increase the value of the Company, its parent, the Group and the wider Allianz SE Group.

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 have acted in a way that they considered, both individually and collectively, 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 Board is collectively responsible for the long-term success of the Company. The Board is responsible for setting the Company’s strategic aims and ensuring that the necessary resources are in place to meet its objectives. The Board sets the Company’s purpose, strategy, culture, values and standards and ensures that its obligations to stakeholders and others, as well as other matters set out under section 172 of the Companies Act 2006, are considered when taking decisions and in its discussions.

The Board of the Company meets at least quarterly alongside the board of directors of its immediate shareholder, LVGIG, the Board of AZH and the boards of directors of other key regulated entities and holding companies within the Group (collectively, the “Boards”). The Boards have adopted the same terms of reference by which they operate, and the Directors of the Boards are the same. The governance framework applied to the key regulated entities and holding companies within the Group and the combined approach to governance, ensures that the Company's Board also has regard to the overall strategy, interests and direction of the Group as a whole, when taking decisions and in its discussions. This includes considering the impact on the broader stakeholders of the Group, the environment in which the Company and the Group operate and the long term success of the Company and the Group as a whole.

The Board receives information from across the business in the form of Board reports and presentations when making decisions and these reports include information about how stakeholder interests have been considered. Information is also presented, where relevant, regarding any impact on the Company’s or Group’s reputation, impact on the environment or on the communities in which the Company or Group operate and other matters set out in section 172 of the Companies Act 2006.

The Board has undertaken a review of its effectiveness during the year and is in the process of implementing actions to further improve Board governance arrangements. An external review of the governance is underway in 2023, the outcome will be shared with the Board and resulting actions for improvement reported back to it at quarterly meetings. Further information on the review is set out in the Corporate Governance report on page 17.

Stakeholder engagement

This section of the Company’s report explains the Company’s engagement activities in relation to the Group’s customers, suppliers, employees, regulators and other stakeholders relevant to the Company.

The Board and individual Directors engage with some stakeholders directly on specific issues which are relevant to the Company. However, due to the size of the Group and how it operates, stakeholder engagement more regularly takes place at an operational level. This allows the Group to be responsive to stakeholder needs. As described above, the Company’s Board receives reports when making decisions or where matters are escalated and these reports include information about how stakeholder interests have been considered. The reporting templates for the Board include consideration around stakeholder engagement. This provides the Board with an overview of stakeholder interests when making decisions even where they have not engaged directly with those stakeholders themselves.

Strategic Report for the Year Ended 31 December 2022 (continued)

Customers

Customer centricity is fundamental to the business strategy of “putting our people first and our customers at the heart of what we do”.

The Group is committed to ensuring good outcomes for its customers. Customer centricity is fundamental to the Company’s growth and development and is one of five important themes underpinning the Allianz SE business strategy which the Group and the Company have adopted. This is further explained in the Corporate Governance report within the Director’s Report on page 16. The Group’s focus is on maintaining high levels of service and supporting our customers. Throughout 2022, as the country recovered from the effects of the pandemic and faced a cost of living crisis, the Company and the Group’s employees continued to support the Group’s customers, suppliers and communities through what continues to be a difficult time for many.

A key method of engaging with our customers across Allianz’s businesses and ensuring that a customer-centric culture is embedded is the Net Promoter Score ("NPS"). The NPS is explained above under Key Performance Indicators on page 4. Feedback is sought and Allianz’s performance across different brands is benchmarked against competitors. The NPS results are a KPI for the Company and the results are shared with the Board so this information can be considered when making decisions. Both the LV and PetPlan brands are considered loyalty leaders with scores ahead of peers.

In addition, on a day to day basis the Group’s customer facing people engage and foster relationships with our brokers and customers directly. Direct and indirect feedback received from customers is collated and reviewed, together with other data such as complaints and number of complaints referred to and upheld by the Financial Ombudsman Service. This information is fed back to the Customer & Conduct Committee of the Board for its consideration.

The Customer & Conduct Committee is responsible for overseeing customer conduct matters for the Group and its subsidiaries. The Customer & Conduct Committee receives reports on a variety of matters including reports from the business, including customer dashboards, metrics which help it to understand the customer experience and vulnerable customers information. The Customer & Conduct Committee has considered a number of topics and projects during the year, focusing on the customer impacts and journey and ensuring that customers are put first. The Customer & Conduct Committee reports into the Boards on all matters, ensuring that the Directors have sight of customer engagement metrics to factor into decision making and ensuring good outcomes for customers. During the year, the Board approved the Consumer Duty implementation plan and performance against the plan is reported to the Customer & Conduct Committee.

In addition, during 2021, the Boards engaged an independent third party to undertake a review of culture across the Group, including, amongst other things, how the culture supports the delivery of good customer outcomes. The Boards reviewed the findings and actions were put in place to ensure it continues to receive relevant and useful information in relation to culture. As a result, a comprehensive new culture dashboard and scorecard was implemented in 2022 to help the Boards better monitor culture, including metrics to measure customer outcomes. A common set of values has been agreed by the Boards and the rollout of these has commenced, supporting the development of a customer-centric culture.

Employees

The Company does not employ any staff. During the year, LVGIG, the Company’s immediate parent company, and Allianz Management Services Limited ("AMSL"), a subsidiary of AZH, provided administration services and staff to the Company and to other Group companies. LVGIG and AMSL have a high level of resources and expertise which benefit the Company and the Group. Employee engagement is led by the Chief Human Resources Officer of the Group, with the Human Resources team working across the Group. The approach taken across the Group to employee engagement is explained below; however, there are some variances in methods used across Allianz Commercial and Allianz Personal, where appropriate or required.

Engaged people are key to the success of the business, not only do they create positive experiences for our customers and colleagues but they help our business thrive. Each year we invite our people to complete a confidential survey to provide feedback. It remains a key priority to ensure that employees are fully engaged as Allianz continues to develop during 2023.

Throughout 2022 there have been regular townhalls with other senior executives (including the CEO of Allianz Personal) invited to join the AZH CEO to discuss important topics and answer questions raised by employees. The Allianz Personal Executive Committee conducts monthly webinars with the leadership team to share the Allianz Personal strategy and to provide updates on particular topical items of interest. Each year there are a number of leadership conference meetings to further share important messages and facilitate discussion and debate. These messages are then cascaded throughout the organisation. There are regular ‘employee broadcast calls’ for employees working within that business (including central services) led by the Allianz Commercial Executive Committee members, where employees are encouraged to ask questions directly to key speakers.

New ’ways of working’, including hybrid working, have provided opportunities for more engagement between the Board, including the non-executive Directors, and employees, with on-site days being scheduled at different office locations in the UK to facilitate more engagement.

The Group seeks feedback and measures the engagement of employees in a variety of ways. Engagement methods include the Allianz Engagement Survey (“AES”) and additional ‘pulse’ surveys sent to employees on various topics, townhall presentations (which have been virtual following the impact of COVID-19) and newsletters via the employee intranets. In 2022, the AES continued to provide a valuable employee feedback platform and remains an important indicator of the Group’s corporate culture and employee engagement. The AES results include the Inclusive Meritocracy Index which covers aspects of leadership, performance, collaboration, trust and respect, and is derived from the responses to a specific set of questions in the annual AES. A Work Well Index plus is also used to measure the quality of the work environment, practices and opportunities.

‘Inclusive Meritocracy’ describes the Group’s target culture. This is underpinned by four People Attributes with underlying target behaviours, helping employees understand what is expected of them.

The AES results are collated to give a Group-wide result and are also broken down by division and team. Action plans are then developed based on the feedback received within teams. The results of the survey are directly linked to the performance objectives of the Allianz Holdings plc Executive Committee and key leaders within the Group. This approach ensures that employee sentiment and impact on the workforce are carefully considered by the leadership team when making decisions. In 2022, Allianz Holdings Plc ranked 14th in the Inclusive Top 50 UK Employers 2022/23 list. Also during the year, LVGIG received a silver award from Stonewall's Workplace Equality Index, for its commitment and efforts to become an LGBTQ+ employer. Stonewall is the world's second-largest LGBTQ+ charity.

Having a strong focus on Diversity and Inclusion enables our organisation to better understand the customers we serve and our people. The Group has a clear Diversity and Inclusion strategy, which covers ’Our people’, ‘our customers’ and ‘our brand and reputation’. In 2022, Allianz embarked on several initiatives in support of its aim to foster an inclusive environment where a valued and diverse workforce can be heard, contribute, grow and feel a sense of belonging.

Allianz understands the importance of continuing to have flexible working options available to all of its employees, as they adapt to new work-life balances. To make sure that the Group and Allianz SE Group are evolving their approach and to keep encouraging talent to join the business, a working group has been set up to foster a flexible working culture. The aim is to encourage more uptake in flexible working options, especially amongst men who currently only make up a small proportion of those benefiting from flexible working patterns.

The Board has considered the impact of the global uncertainty arising from the aftermath of the pandemic and the Russian invasion of Ukraine on the Group’s employees which has informed its decisions. Allianz engages regularly with Unite, a trade union for some staff within the Group, which exists to protect and improve employee interests. Discussions with Unite are escalated to the Board and its committees as appropriate.

We are committed to making sure our people are rewarded fairly through regular review of pay levels to ensure they are competitive with market rates. Allianz pays all its employees at least the Living Wage Foundation rates of pay. In addition to basic pay, our people participate in an incentive scheme which is structured around both individual and business performance. LVGIG employees automatically become members of the money purchase pension scheme, My LVGIG Savings Plan, when they start working for us. Allianz understands that the needs of its people are different, so through a flexible benefits platform we give our people the opportunity to select the benefits most suited to their individual needs and lifestyles.

Strategic Report for the Year Ended 31 December 2022 (continued)

With a number of initiatives already in place through our wellbeing support programme, in 2022 there has been an increase in the number of Mental Health First Aiders ("MHFA's") to provide in person or virtual assistance to all employees on a confidential basis in their time of need to prevent as well as react to situations. The LVGIG Wellbeing programme has been running weekly webinars and awareness campaigns covering a variety of topics including Burnout, Stress, Breathing, Meditation and Sleep. The programme has also been extended to include champions and MHFA's from the Diversity and Inclusion employee networks to support the reach to employees from different communities or with particular characteristics. In addition, all employees have free access to the Headspace app, which provides a range of support through articles, news, applications and techniques to support their wellbeing and mental health.

Suppliers

Significant Group supplier contracts, either strategic or by reason of size and significance, which are relevant to the Company, are considered by the Boards following engagement between procurement and business teams, supported by senior management where appropriate. In 2022, significant supplier contracts, supported by summary documents, were provided to the Board to enable an informed decision to be made covering areas such as performance, cost, risk and strategic alignment. Suppliers are required to comply with the Group's Vendor Code of Conduct, which ensures standards are met in relation to ethics, labour and, more recently in 2022, environmental sustainability.

In addition, the sourcing process itself is governed across the Group by adherence to requirements laid out in the Allianz Global Standard for Procurement, via the Local Procurement Standard. As a consequence, in 2022, the Boards gave due consideration to significant intended supplier arrangements and their suitability and ability to meet the Group's requirements including but not limited to areas such as information security, data privacy, risk, protection and resilience. Alongside this, work has been done in 2022 to meet the PRA's SS2/21 statement regarding the management and oversight of third parties, further increasing the governance and control of new and existing relationships.

Once a supplier relationship is in place, in line with Allianz's Supplier Relationship Management Framework, relevant executives assume responsibility for approving and overseeing procedures to effect significant contracts and for their ongoing monitoring and performance. Regular reports on supplier performance, inclusive of inputs from fellow safeguarding functions such as Information Security, Operational Resilience, and Risk, were made available to the Boards in the course of 2022 to ensure effective oversight and control.

All of these measures come together to form a productive, secure, and mutually beneficial working relationship with each supplier. This has been especially important in 2022 given the turbulent economic environment. These strong working relationships with suppliers have enabled the organisation to manage costs, mitigate risk, and work collaboratively to support strategic organisational objectives.

Regulators

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Maintaining a good relationship with the Company's regulators is a priority for the Board and regulatory considerations are given close scrutiny when making decisions.

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 taken into account when considering matters for approval. In addition, the Board carefully considers and takes into account any letters received by the Group from the regulators. In 2022, the Board has considered the Periodic Summary Meeting ("PSM") letter from the PRA and the Firm Evaluation Letter ("FEL") from the FCA and received regular updates on progress in relation to findings and action plans from the regulators. This has informed the planned focus areas of the supervisory engagement throughout the year.

The Board's executive and non-executive directors have regular direct contact both through written correspondence and direct dialogue with the regulators, giving them an understanding of the regulators' requirements and intentions, which will then be brought into Board discussions. Other engagement methods with regulators include regular meetings, responding to regulatory market reviews and attendance at Board meetings.

Strategic Report for the Year Ended 31 December 2022 (continued)

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 relevant Board, as appropriate. This ensures that regulatory matters are of key importance with a top-down approach led by the Board.

In relation to its regulatory requirements, the Board also reviewed and approved its relevant Solvency II Reports, including the Solvency and Financial Condition Report, and the Company's Recovery and Resolution Plan.

Shareholder

The Company has regard to the interests of its immediate shareholder, LVGIG, to AZH and the Allianz SE Group when making decisions. The Company's strategy is aligned with the Group's strategy and the Allianz SE strategy, adapted as necessary for the Company's markets. Allianz SE nominate a non-executive Director to the Board of the Company. In 2022, the Board received regular updates from the Allianz SE Group on key matters being considered within the wider group. Shareholder views have been factored into various decisions made by the Board during the year including those on strategy, budget, investments, distributions and Board appointments.

Community and the Environment

An ESG ensures Allianz is a leader in sustainability, a responsible and trusted business, and a committed corporate citizen. Allianz focuses on promoting the transition to a low-carbon economy, social inclusion and ensuring the integration of ESG into all aspects of Allianz's businesses. Allianz, including the Company, has undertaken its own initiatives during the year in the area of ESG. The Board has also reviewed the ESG strategy, analysing the Global Allianz strategy in relation to ESG and reviewing how that strategy is implemented in the UK. Allianz is fully committed to ESG principles and consideration of its impact in these areas is an important part of Company and Group discussions.

The Group participated in an activity co-ordinated by the Allianz SE Group to help Ukraine including making a global corporate donation to the German Red Cross, supporting employees who were hosting Ukrainian families and offering temporary car insurance. Employees also took part in a global initiative, the Allianz World Run, which donated to the German Red Cross.

Allianz undertakes some initiatives in its communities, which complement the activities of the Group. Allianz's partnership with the England and Wales Cricket Board ("ECB") provides financial support through #Funds4Runs to help local clubs and communities get back on their feet and support some of the ECB's priorities – promoting ethnic diversity, cricket for women and people with disabilities, as well as grassroots cricket. During 2022, Allianz committed to donating £100,000 for this programme. In addition, charity and community groups run by employees in regional offices supported local community initiatives through fundraising, grants and volunteering events.

During the year, the Board considered the ESG 2025 plan and 2022 objectives for each area working on ESG including the opportunities and risks climate change poses.

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 Board continues to review its processes to ensure that a formal analysis is carried out of how the significant decisions that it is required to approve will impact the Company's key stakeholder groups.

Strategic Report for the Year Ended 31 December 2022 (continued)

During the year the Directors took the following principal decisions:

Dividend

Section 172 considerations: promoting the success of the Company for the benefit of the Company's members, long-term consequences, maintaining a reputation for high standards

Stakeholders: shareholders, regulators

In May 2022 the Board recommended the payment of an interim dividend of £10,000,000 to its sole shareholder, LVGIG. In approving the payment of the interim dividend, the Directors considered the impact on the Company and the views of its stakeholders. Amongst other things, the Directors considered the needs and views of the Company's shareholder and its ultimate parent company, Allianz SE, who require dividends to be paid to ensure the long-term success and viability of the Allianz SE Group as a whole. In addition, the Board sought a no objection confirmation from the regulators prior to the payment of dividend. To ensure the dividend was prudent from a regulatory perspective, the Board reviewed analysis and stress tests produced by the Risk function assessing various stress tests and the Company's solvency ratio post dividend-payment. The Board reviewed the level of distributable reserves for the Company and was content there were sufficient reserves available to make the distribution to LVGIG. In making the decision, the Board considered interests of the shareholder and the regulator as the key stakeholders who need the Company and the Group as a whole to maintain a reputation for high standards in decision making and to hold sufficient capital to meet its long-term requirements. After considering these factors, together with other considerations when paying a dividend, the Directors' concluded that the payment of the interim dividend would promote the success of the Company for the benefit of its members.

System of Governance Annual Review

Section 172 considerations: maintaining a reputation for high standards, long term consequences of decisions

Stakeholders: customers, regulators, shareholder

During the year, the Board (together with the Board of AZH and a number of other key Group entities) approved a review of the System of Governance ("Review"). The System of Governance is designed to ensure that the Group has sound and prudent management of its business and is based not only on UK and EU regulatory requirements, but is necessary to ensure that its business and risk profile aligns with the Allianz SE Group. The Review was considered by the Allianz Holdings plc Executive Committee and Risk Committee before receiving Board approval and involved approval of a Statement of Accountability to confirm an effective system of governance with all necessary processes and controls remaining in place. The Review set out its findings for consideration by the Board and introduced activities for 2022 to further strengthen the Group's governance framework. The Review was considered a key decision in light of the Board's duty to ensure the Company maintains a reputation for high standards of business conduct and assure the Allianz SE Group that the Company and the Group has a sound and prudent system of governance. In overseeing this important matter, the Board had regard to the requirements of the Company's regulators and interests of the shareholder as well as the potential long term consequences of any decisions made.

Culture Dashboard

Section 172 considerations: maintaining a reputation for high standards, consequences of decisions in the long term, interests of employees, the impact of operations fostering relationships with customers and suppliers

Stakeholders: customers, regulators, employees

During the year, the Board received regular updates on performance against the culture action plan including development of the culture dashboard. Culture remains an essential component which underpins how Allianz operates and encompasses a broad range of topics affecting most key stakeholder groups. It is recognised by the regulator that a healthy culture is essential to consumer protection and well-functioning markets. The Board considers it an essential element to defining the Company's purpose, strategy and expectations for employees. A new culture dashboard was rolled out in 2022 as a key deliverable within the culture action plan which encompassed a range of cross-functional projects and actions for embedding good customer outcomes on performance, reward and talent management policies across the Group. The new culture dashboard was first considered by the Board in May 2022 and has been further developed throughout the year striving to build a consistent view of measures against four drivers of culture identified by the FCA namely purpose, governance, people policies and leadership, to support the delivery across the business of good customer outcomes. The dashboard aims at presenting a trend view of key metrics for the business, which is an aggregated view of a number of sub-component metrics and provides the Board with visibility and understanding of the culture within Allianz and any changes. The Board has oversight of and reviews progress made under the culture action plan, including the culture dashboard, underpinning it's duty to foster good customer outcomes, to consider the interests of employees and to maintain a reputation for high standards of business conduct.

Operational Resilience – Self Assessment Questionnaire

Section 172 considerations: maintaining a reputation for high standards, consequences of decisions in the long term

Stakeholders: customers, regulator

During the year, the Board continued its oversight of the operational resilience project, initiated to ensure compliance with the regulatory policies on Operational Resilience, issued jointly by the PRA and FCA. In 2022, the Board considered a response to the FCA's Operational Resilience self-assessment questionnaire which the regulator had issued to a number of firms, including Allianz. The questionnaire was issued to enable the regulator to assess the level of operational resilience maturity within firms, and contributed to the FCA's aim of ensuring that regulated firms are proactively managing risks to minimise impacts during major disruptive events incidents. The Board reviewed the responses to the questionnaire at its February and March meetings seeking additional assurance from the second line prior to confirming the response. The Board noted the use of subject matter experts throughout the process for providing responses to the questionnaire with a record of the responses being maintained. Implementing the policies on Operational Resilience in the right way for the business and its stakeholders is critical to the success of the Company and important in maintaining the Company's reputation for high standards with the regulator and putting customers at the heart of the business.

Consumer Duty Implementation Plan

Section 172 considerations: maintaining a reputation for high standards, fostering relations with customers, long term consequences of decisions

Stakeholders: customers, regulators, shareholder

Following the introduction of the FCA's new Consumer Duty, which sets rigorous and transparent standards for consumer protection across financial services, Allianz has focused significant resources in ensuring readiness for the new standards, the primary purpose of which is to deliver good outcomes for customers. The new Consumer Duty, which comes into effect on 31 July 2023 for new and existing books of business, requires that firms put in place and document an implementation plan to deliver against the requirements. During the year a Consumer Duty Implementation Plan was therefore presented to the Board for review, challenge and approval and a Board member appointed as Consumer Duty champion in order to maintain close oversight of the implementation at Board level. As part of the plan, monthly updates are provided to the Allianz Holdings plc Executive Committee to ensure the project remains on track for delivery in line with regulatory deadlines, and the Customer & Conduct Committee also maintains close oversight of performance against the plan. In approving the Consumer Duty Implementation plan, the Board gave due regard to its duty to consider the interests of and ensure good outcomes for the Group's customers, as well as considering the interests of the regulator.

Strategic Report for the Year Ended 31 December 2022 (continued)

The Company has reported against The Wates Corporate Governance Principles for Large Private Companies which contains further information regarding the governance of the Company, how the Board makes decisions for the long-term success of the Company and its stakeholders. The Corporate Governance Report can be found on pages 17 to 25.

On behalf of the Board

F K Dyson
Director

6 April 2023

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December, 2022.

As permitted by section 414C(11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is:

• Customers, suppliers and others statement;
• Results for the year;
• Principal activities of the Company; and
• Business review and Future prospects.

Stakeholder engagement
Details of how the Board has had regard to the need to foster the Company's business relationships with suppliers, customers and other stakeholders and the effect of that on the principal decisions taken by the Company's Board is contained in the section 172 statement on page 7 to page 14 of the Strategic Report.

Directors
The Directors who held office during the year, and up to the date of signing the financial statements, were as follows:

C W T Dinesen

F K Dyson

P J Evans

C Holmes (appointed 22 February 2022)

D J Larnder

S C McGinn (appointed 22 February 2022)

R M Murison (ceased 25 September 2022)

T Robson-Capps (appointed 13 April 2022)

D A Torrance

C G Townsend

S Treloar

J R Vazquez (appointed 1 June 2022)

Results and dividends
The results for the year are set out in the Strategic Report on page 2.

An interim dividend of £10,000,000 (2021: £164,000,000) was paid during the year ended 31 December 2022. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: £nil).

Financial Instruments
The Company's policies in respect of financial instruments are given in note 31 to the Financial Statements.

Going concern
These financial statements have been prepared on a going concern basis. The Company has a good financial and trading position, with capital significantly in excess of the minimum regulatory requirements. In addition, the board has reviewed the Company's forecasts for the next 12 months and beyond. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements.

One.Finance
In 2016, the Allianz SE Group launched a project “One.Finance”. Included in the objectives is compliance with the forthcoming standards IFRS 9 “Financial instruments” and IFRS 17 “Insurance contracts”. The project includes the development of central IT systems to support the analysis of investments and impairment tests required by IFRS 9 as well as supporting the calculation of insurance reserves required by IFRS 17. The Company has established parallel work streams in the UK supporting the overall Allianz SE Group project and to ensure local readiness. The implementation date of IFRS 9 and IFRS 17, is 1 January 2023. Parallel runs have been completed for prior years.

Streamlined Energy and Carbon Reporting (“SECR”)
LVGIG fulfils the statutory requirements for SECR which includes disclosure of the Company’s carbon emissions. Under the Companies Act 2006 and SECR Regulations, ‘Large’ companies are required to report their annual emissions in their Directors’ report. It should be noted that the information disclosed relates to several entities within the Group as this is the lowest level of granularity for which the data is collected. Information relating to the Company alone is not available and identical disclosure has been made by all Companies meeting the reporting requirement.

The SECR statement covers the reporting period 1 January 2022 to 31 December 2022 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard.

A ‘Dual Reporting’ methodology has been used to indicate emissions using UK electricity grid average emission factors (known as the ‘Location based’ method), and also emissions using supplier specific generation emission factors (the ‘Market Based’ method).

‘Location based’ Method

The total energy consumption for 2022 was 5,934,775.67kWh (2021: 7,558,823.81 kWh) equating to 1,209.792 tCO2e (2021: 1,626.702 tCO2e).

Carbon intensity: Emissions of tCO2e/full-time equivalent during 2022 was 0.319 tCO2e (2021: 0.393 tCO2e)

However, LVGIG's strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (“REGO”) certificates. Through this strategy, within the above 2022 total energy consumption, LVGIG has sourced a total of 3,026,983.46 kWh (2021: 2,787,226.73) of REGO backed (zero emission) electricity equating to 100% (2021: 83.58%) of total electricity use.

'Market Based' Method

The total energy consumption for 2022 was 5,934,775.67kWh (2021: 7,558,823.81 kWh) equating to 601.709 tCO2e (2021: 1,064.100 tCO2e).

Carbon intensity: Emissions of tCO2e/full-time equivalent during 2022 was 0.159 tCO2e (2021: 0.257 tCO2e).

Energy Efficiency actions taken during 2022:

- In the Bournemouth site the final meeting & training rooms across Frizzell House had LED’s installed which means all of LVGIGs space now has LED lighting.

Over 90% of the Group's waste is recycled. The Group's aim is to divert 100% of waste from landfill. This includes office closures where the aim is to repurpose or recycle old office equipment or donate this to local charities.

The Group is committed, via a Science Basted Target, to being net zero in operations by 2030. This means reducing emissions by 70%, versus the 2019 baseline, by strengthening environmental management and sourcing 100% renewable electricity by 2023. The key drivers to delivering the emissions reduction target will be the shift to a fully electric corporate car fleet by latest 2030 and a reduction of 40% GHG emissions deriving from travel activities by 2025.

Corporate Governance Report
For the year ended 31 December 2022 the Company applied the Wates Corporate Governance Principles for large private companies (“Wates Principles”) to its business and this report sets out how the Wates Principles were applied.

Directors' Report for the Year Ended 31 December 2022 (continued)

The Company is a wholly owned subsidiary of AZH and leverages the governance structure of the Group. The composition of the Company's Board and that of the other key regulated entities are aligned, so the same Directors sit on these Boards and apply the same Group governance structure.

Principle One – Purpose and Leadership

Purpose and Strategy

The vision in relation to the Company’s business (as part of Allianz Personal) is building Britain’s best businesses. This vision is aligned with the Group who have the ambition to be the best loved and most recommended by customers and partners, to attract and retain the best people and consistently exceed target returns and be recognised as leading the industry in its approach to ESG. This strategy is achieved through people centricity (putting our people first), maintaining customer satisfaction and retention rates, and growth through outperformance in our chosen markets across the Company’s business. The strategy is in harmony with and complements the purpose and strategy of the Group which is committed to the wider Allianz SE group’s purpose of “We secure your future” and business strategy of “Simplicity at Scale”. The key strategic objectives of the Allianz SE Group’s strategy are to “Outperform, Transform and Rebalance” and are underpinned by the Renewal Agenda which comprises five important themes of customer centricity, technical excellence, digital by default, growth engines and inclusive meritocracy. The Company aims to deliver attractive and consistent returns to its immediate shareholder and consequently to the AZH Group and Allianz SE Group.

Customers are at the heart of all businesses within the Group. A customer-centric culture is embedded in the Company's business, underpinned by the purpose "Helping you look after what you love". Benchmarking is undertaken against best in class to continually improve the customer experience and leverage learning from other parts of the Group’s business. The business is also investing in transforming its IT and digital capabilities as part of an Allianz SE Group wide initiative in order to improve productivity, reduce complexity and increase customer satisfaction.

In line with the Company’s purpose, the Board sets its strategy and oversees performance against the strategic objectives. The Company’s strategy is approved by the Board as a part of the Group’s strategy as a whole and by the Company’s Board as well as being discussed and agreed with the ultimate shareholder, Allianz SE, through the annual Planning and Strategic Dialogue processes. The Chair is responsible for leading Board discussions on strategy matters. The aligned strategy of the Group is then segmented by business line, including a strategy for LVGIG and its subsidiaries including the Company, which complements the wider Group strategy. The Company’s Board has regard to any regulatory aspects or impacts of the strategy. As a Director of AZH, LVGIG and the Company’s Board, the Allianz Personal CEO engages with the Company’s Board, the Allianz Holdings plc Executive Committee and the Allianz Personal Executive Committee to develop the strategy for Allianz Personal, including the Company’s business. Segmenting the plans allows Allianz Personal and Allianz Commercial and their respective lines of business to be differentiated as required to meet the overall strategy and objectives of the Group and the Allianz SE Group.

The CEO of Allianz Holdings plc is responsible for the delivery of the overall strategy of the Group, along with the Allianz Holdings plc Executive Committee which includes senior leadership from both Allianz Personal, Allianz Commercial and central functions which support the Group. The CEO of Allianz Commercial is responsible for implementation of the Company’s commercial strategy and there is an Allianz Commercial Executive Committee to support the CEO. The Personal lines business is the responsibility of the CEO of Allianz Personal, supported by the Allianz Personal Executive Committee.

In addition there is continued focus on operating in an ethical, environmentally friendly and sustainable manner and ensuring employees of all backgrounds feel included and able to succeed. During the year, Allianz Holdings Plc was ranked 14th by the Inclusive Top 50 UK Employers list showing the continued focus on this area.

Values and Culture

Allianz’s values are embedded within its culture and policies it upholds. In line with Allianz’s purpose, LV= General Insurance puts its people first and customers at the heart of everything it does. LV= General Insurance's brand promise and leading service is a differentiator.

The boards of AZH, LVGIG and the Company have a strong emphasis on integrity and honesty. During 2022, the Group initiated a programme to engage its entire leadership population on the topic of purposeful leadership to maintain continued focus on building a customer-centric culture. Furthermore, the roll out of a common set of values has commenced across the Group.

The Group’s policies and practices help reinforce the Group’s values and required behaviours and attitudes amongst employees. The values are underpinned by the four “People Attributes” – customer and market excellence, collaborative leadership, entrepreneurship and trust. The performance of all of our people is measured against attributes and success factors which are aligned with our values, which for employees are Be Brave; Inspire Trust; With Heart and Everyone Counts.

Allianz’s people help to shape the culture of the business in delivering good customer outcomes across the organisation. A culture dashboard has been operationalised within the business, under the supervision of the Board, which aims to align the key drivers of culture: purpose, governance, people policies and leadership. People Attributes which underpin people policies are being aligned across Allianz’s businesses in order to provide a consistent approach that explicitly considers supporting the delivery of good customer outcomes across the organisation. Delivering ‘friendly’ systems with a core focus on execution and delivering with pace is being prioritised.

Allianz annually rolls out an employee engagement survey and its results are reported to the Board along with actions for improving performance. Comparative reporting against the prior year’s survey is also considered by the Board.

The Board recognises that Diversity and Inclusion ("D&I") is fundamental to Allianz’s ability to understand representation within the workforce and measure progress. D&I is a key aspect of culture and therefore a critical measure of success for Allianz.

When the Group procures products and services from third parties, it looks to do so in a sustainable manner and with an unwavering commitment to transparency within any supply chain. With respect to Allianz’s own products and services, they must always be clearly explained and honestly marketed. Allianz uses its sustainable procurement charter to encourage its suppliers to adopt and develop sound ESG practices. For tender assessments, Allianz will apply a minimum weighting of 10% to ESG factors, as a way of prioritising suppliers that have embedded sustainable and ethical practices within their organisation. Allianz will also provide support and education to suppliers who are invested in ESG. The insurer wants to partner with suppliers who understand the nature of the materials, products and services they’re providing and the importance of protecting the environment and fostering good relations with their employees and their local communities.

The Company piloted a partnership with Kaleida International in 2022 to diversify its suppliers. Kaleida is an inclusive business-to-business ("B2B") marketplace for tenders. The suppliers listed on Kaleida are businesses which are at least 51% owned and operated by women, veterans, people from ethnic minorities, from LGBTQ+ communities, or people who are neurodivergent or have disabilities.

Allianz’s ESG strategy is embedded within the business and has been reviewed by the Board. Under this strategy Allianz believes that its role is to set the tone from the top on governance, culture and purpose and to be collectively responsible for the long-term success of the Company. For the Board, this means not only ensuring that the culture is fully embedded throughout the workplace, but ensuring that we comply with all relevant laws and regulations, has high standards of internal control and risk management, and that the business is run with integrity. Allianz knows that by acting responsibly it can provide products and services that meet its customers’ needs, reduces the impact of its operations by being environmentally efficient and help the transition to a low carbon economy.

The Group promotes, amongst many other things: staff wellbeing; apprenticeships to support staff in retraining for digital roles, managing supply chains in a socially responsible manner, exploring opportunities for strategic growth through new product development and new channels of distribution, as well as providing excellent customer service.

2022 marked the third anniversary of our collaborative partnership with the University of Bristol ("UoB"), which was started with the main vision of working together to make advancements in the field of data science through sharing knowledge, skills and opportunity. Over the course of three years, the partnership has evolved rapidly with deep rooted relationships being established across the university over a diverse set of activities. Some of the key activities and milestones during the year included; joining the list of official partners for the interdisciplinary Bristol Digital Futures Institute, supporting Bristol Data and Artificial Intelligence Showcase, successfully running data drill workshops with volunteers from the Data Science team led by a PhD student being supported, and Allianz’s academic collaborators presenting the results of their work on Explainable AI at the Strategy Steering Committee. Allianz is also continuing to support a number of student societies.

Directors' Report for the Year Ended 31 December 2022 (continued)

The UoB based data science team at the LV= offices in Bristol kept its steady growth by adding more UoB alumni to our team recruited through internships and career events we supported and hosted. We have initiated collaborations in new fields as well as started co-developing new undergraduate programmes. Our colleagues who are studying a co-developed MSc in Data Science programme have successfully completed their first year and started their second and final year.

In 2022 Allianz extended its network of academic institutions by submitting MSc projects to the University of Exeter as well as expanding such partnerships to the wider company outside the Data Science space by proposing masters level projects and acting as industry supervisors for the Masters in Global Management programme at the London School of Economics.

LVGIG undertakes its own initiatives in its communities, which complement the activities of the Group. LVGIG's partnership with the England and Wales Cricket Board ("ECB") provides financial support through #Funds4Runs to help local clubs and communities get back on their feet and support some of the ECB's priorities – promoting ethnic diversity, cricket for women and people with disabilities, as well as grassroots cricket. During 2022, Allianz committed to donating £100,000 for this programme. In addition, charity and community groups run by employees in each LV= regional office supported local community initiatives through fundraising, grants and volunteering events.

LVGIG's partnership with ECB has been detailed on page 12 of the Section 172 statement. LVGIG also completed a second year working with charity partner, Family Action, who have been building stronger families since 1869. Family Action supports families and helps them build a brighter future. They do this by providing emotional, practical and financial support to more than 60,000 families every year through over 160 community-based and national services. LVGIG is supporting the FamilyLine service by donating £1 million over the duration of the three year partnership through corporate donations, fundraising and charity matching. FamilyLine is a free national helpline that provides support to adult family members on all aspects of family life issues via telephone, text message and email. The impact of the COVID-19 crisis and the pressures associated with the rise in cost of living has seen a significant surge in families requiring ongoing and additional support and the funding assists Family Action to continue to allow their services to meet the growing demand. In addition, employees have signed up as trained volunteers to support callers through befriending activities.

Principle Two – Board Composition

Composition, Size and Structure

As of 31 December 2022, the Board of the Company comprised six independent non-executive directors, including an independent non-executive Chair, one shareholder nominated non-executive director and four executive directors. During the year, the Board was strengthened by the appointment of T Robson-Capps on 13 April 2022 and J R Vazquez on 1 June 2022 as independent non-executive directors, whilst R Murison stepped down from her role as a non-executive director on 25 September 2022.

The executive Directors comprise of the Group CEO (C Holmes), the Allianz Personal and Commercial CEOs (S Treloar and S C McGinn respectively) as well as the Group CFO (F K Dyson). C Holmes and S C McGinn were appointed on 22 February 2022. The role of the Chair (being the Chair of the Board of Allianz Holdings plc as well as the Company) and the role of Group CEO and the Allianz Commercial and Personal CEOs, are separate and clearly defined. The Chair is responsible for the effectiveness of the Board, including facilitating objective debate to ensure effective decision-making. The Allianz Personal CEO is responsible for executing the strategy of the Company and the wider Allianz Personal business.

The current composition is considered appropriate for the size and nature of the business, and provides the appropriate combination of skills, experience and knowledge required for the Board to carry out its responsibilities.

Balance and Diversity

The Board remains committed to increasing diversity across the business and the Group operates a diversity and inclusion policy to encourage a more diverse and inclusive environment at all levels of the business. Diversity and inclusion is an important topic within the Group and is fully supported by the Board and the Allianz Holdings plc Executive Committee.

Directors' Report for the Year Ended 31 December 2022 (continued)

Within the Group a diversity and inclusion steering committee sponsored by the Group CEO develops the diversity and inclusion action plan. During the year, a member of the Allianz Holdings plc Executive Committee was also on the Allianz SE Group Global Inclusion Council that develops and drives the global strategy. The Group had developed a range of employee-led networks across the business which specialise in and promote aspects of diversity and inclusion. These include working parents and carers, intergenerational working, gender balance, LBGTQIA+, cultural and ethnic diversity, disability and long-term health conditions and mental health. Further details on Gender Pay Gap reporting by Allianz are provided within Principle Five of the Corporate Governance report.

In relation to the Board, as at 31 December, 2022, two of the eleven members (18%) of the Board were female. The composition of the Board is the same as that of LVGIG and AZH. New appointments to the Company's Board are recommended by the Compensation & Nomination Committee after consideration of the Board's composition in terms of its balance of skills, experience, length of service, knowledge of the Group and wider diversity considerations. The Board recognises that its own membership is not as diverse as it should be and this will be taken into account as and when new directors are appointed to the Board, including when existing non-executive Directors come to the end of their term in office.

The non-executive Directors bring a broad range of experience and skills to the Board which are highly relevant to the insurance sector and therefore they provide objective and constructive challenge to the executive Directors.

Effectiveness

An external provider is engaged to carry out a Board Governance effectiveness review every three years and in the intervening years there are annual Board self-assessment effectiveness reviews undertaken. The effectiveness reviews cover the Company, Allianz Holdings plc and the other key entities within the Group.

During 2022, the Board undertook a review of Board governance effectiveness (the "Review"), led by the Chair of the Board in conjunction with the Chief Legal Officer and Company Secretary. An independent third party was also engaged to assist with carrying out the effectiveness surveys and collating the findings.

The Review covered Board and Committee effectiveness in all respects and also considered specific areas such as ensuring that customer outcomes and conduct risks were fully considered in all major decisions. The methodology used included a director skills assessment, director behavioural feedback and the effectiveness survey. Reports from the Review were considered at the September 2022 Board and Committee meetings. The Review concluded that there was an overall improvement in the effectiveness of the Board and its Committees relative to the outcomes from the 2021 review.

Opportunities for improvement were identified from the Review and actions plans drawn up with progress against the embedding of actions to be considered by the Board and relevant Board Committees at quarterly intervals. Since the Review many improvements have been made and the actions will continue to be tracked throughout 2023. An externally resourced independent governance review is being progressed this year which includes the Board and Committee effectiveness.

The Directors are provided with a comprehensive and tailored induction on joining the Board and regularly meet with senior managers across the business. During the year, J R Vazquez and T Robson-Capps were appointed as independent non-executive directors. They received a full induction, spending time getting to know the business and key individuals within it.

A Board on-site day was organised in 2022 when Directors had the opportunity to visit Allianz's Bournemouth office and meet key management personnel operating within that location. Board on-site days have also been scheduled in 2023 to build greater awareness amongst Directors around the cultural feel, situational context and office climate as well providing an opportunity for direct feedback from employees.

A schedule of Board training and deep dive topics is maintained by the Company Secretary which evolves based on the Board's development and training requirements. External advisors are invited for deep dive and training sessions on various topics as required in order to support the ongoing professional development of Directors. Non-executive Directors have access to the Company Secretary and can take independent professional advice at the Company's expense.

Directors' Report for the Year Ended 31 December 2022 (continued)

During the year, the Directors received training by participating in four quarterly deep dive sessions with management. These sessions are structured to enable updates and in-depth discussion on certain topics. The topics varied between those which focused on one area of the business and those which focused on the Group. At the deep dive sessions held during the year the following topics were discussed: Competition law; market development following the Personal injury reforms; IT Risk Framework and the status of each Risk domain; IFRS 17 market update; inflation monitoring; Emerging Risks and Top Risk Assessment; CBEST industry insight; Consumer Duty; Best practice for data analytics, AI, data sources and machine learning; reinsurance review; culture; Risk Strategy and Appetite Statement; and Risk and Recovery Plan.

Principle Three – Director Responsibilities

Accountability

The Board operates under a corporate governance framework that provides the required structure to enable prudent yet entrepreneurial management. The Board held quarterly meetings during 2022 as well as a strategy session with members of the Executive Team.

There were also a number of ad hoc meetings during the year. The agenda for each Board meeting is considered by the Chair, Group CEO, Allianz Personal CEO and the Company Secretary to ensure that all regulatory and governance matters are considered appropriately. This ensures that the Board is accountable and can effectively carry out its responsibilities.

Both the Group and Allianz SE Group policies, including those concerned with Solvency II requirements, are applied to the operation of the Company's Board and its function, as well as to the wider business. Group Solvency II policies, in particular the Governance and Control Policy, are reviewed and approved annually to ensure continued relevance and effectiveness.

Individually each Board Director is required to perform their role in accordance with prescribed role profiles and competency requirements. Annual Board Fit and Proper assessments as part of the Senior Manager and Certification Regime processes help to ensure the Board members remain "fit and proper" to undertake their duties (both fiduciary and regulatory) and responsibilities to the Company.

All Directors are expected to report any interests they have including any potential conflicts of interest as they arise. The Directors note interests at each Board meeting. Where required, appropriate mitigations to actual or potential conflicts are put in place, including where necessary a member excused themselves from a particular agenda item or decision to ensure the interests of the Company are not compromised.

Board Committees

The Board is composed of the same Directors that make up the Boards of the other regulated entities and holding companies in the Group. Board meetings for all of these entities are held together, with each Company discussing matters relevant to it and the Directors considering matters from the perspective of each relevant Company for each item on the agenda. The Boards and the Company's Board delegate certain activities to committees including the Allianz Holdings plc Executive Committee, the Audit Committee, the Risk Committee, the Customer & Conduct Committee, the Compensation & Nomination Committee and the Finance & Investment Committee. All of these committees (save for the Allianz Holdings plc Executive Committee and the Finance & Investment Committee) are chaired by a non-executive Director who provides constructive challenge and influence across the work carried out by those committees. The Finance & Investment Committee has one non-executive Director member and is chaired by the CEO of Allianz Holdings plc. Rolling forward agendas are reviewed atquarterly committee meetings and updated as required, to ensure members have an advanced view of the key matters for consideration throughout the year.

The Allianz Holdings plc Executive Committee consists of the accountable executives for the Group. All of the Committees consider matters for the Group as a whole and matters which pertain to a particular division or Group Company, as required. However, there are also separate Allianz Commercial and Allianz Personal executive committees, chaired by the respective CEOs, which are forums to help the respective CEOs lead those divisions. In addition, during the year the terms of reference of each of the Committees were reviewed and updated to ensure the duties and authorities delegated to the Committees are clearly set out and defined and that the split of responsibilities between the Committees is clear. However, the Board retains ultimate responsibility for decisions on matters reserved under its terms of reference and where relevant each Committee recommends relevant matters to the Board for approval.

Integrity of Information

The provision of clear, precise and relevant management information and reports to the Boards is fundamental to achieving good governance and efficient decision-making and operations.

There are formal and robust internal processes to ensure that the systems and controls in place are operating effectively, and that the Boards receive accurate, regular and timely information about the performance of the business. Following the roll out of new Board reporting templates in 2020 and 2021, guidance and training continues to be provided, to ensure that papers are clear, consider relevant stakeholders, determine what action is required of the Board, contain an executive summary and conclusions. Appropriate service level agreements are in place to ensure Board and committee packs are delivered to agreed timescales allowing sufficient time for Directors to review ahead of meetings and facilitate useful debate and challenge at meetings. The efficacy of the processes is reviewed by the Board as part of the Board Governance Effectiveness review undertaken annually in addition to interim feedback provided by the Directors on processes and management information.

Information provided includes financial information, review of actual performance against plan, strategy updates, project updates, certain metrics and data and market developments.

The Group's internal audit function prepares an annual risk-based plan of audits, derived from an audit universe, defined and revised annually, covering the complete system of governance. This includes the controls surrounding the processes for collecting and reporting data. The annual plan is approved by the Audit Committee with quarterly reporting on progress to the Audit Committee and the Boards. The Company's Board is therefore aware of and has oversight of these matters as appropriate and relevant to the Company and its activities. A consolidated assurance plan is also considered by the Risk Committee annually providing a consolidated summary of assurance coverage from the three line assessments of controls and governance.

Principle Four – Opportunity and Risk

Opportunity

The Board actively considers and approves strategic opportunities as these are key drivers of the strategy to outperform in our chosen markets. At Allianz, the Change Management framework provides an overarching framework for management and delivery of strategic change opportunities. This incorporates the appropriate regulatory, customer and commercial considerations to review opportunities and to ensure successful delivery. The executive team meets quarterly to review the opportunities pipeline, set priorities and to provide oversight with required escalations to the Board. Strong alignment exists with Allianz SE Group's purpose and strategy, with ongoing strategic dialogue and increased leveraging of group architecture, technologies and solutions.

The Board reviews and approves the strategy including threats and opportunities (considering the agreed risk appetites) following the planning dialogue which takes place in October and November each year with the ultimate shareholder ahead of the following financial year. Further information on the strategy setting process is provided under Principle One.

Risk

An enterprise risk management framework forms the overarching framework for management to deal with the various risks the Company may encounter, as well as their tracking and monitoring. This also ensures that the Group has processes in place by which it assesses the risks that the Company is exposed to, both on a current and forward-looking basis.

All businesses face uncertainty, and the challenge for management is to determine the nature and extent of uncertainty the Company is prepared to accept, in pursuit of its strategic objectives, as it strives to grow stakeholder and customer value. Uncertainty presents both risk and opportunity, with the potential to either erode or enhance value.

The Enterprise Risk Management ("ERM") framework forms the overarching framework for management to deal with the various risks the Company may encounter, as well as for how they are monitored and reported. This also ensures that the Group has processes in place by which it assesses the risks to which it is exposed, both on a current and forward-looking basis.

The Board delegates oversight of risk management to the Risk Committee and the Chief Risk Officer ("CRO"). The CRO is a member of the Allianz Holdings plc Executive Committee and a standing attendee at the Board. The CRO is supported by the Risk function which is made up of qualitative and quantitative risk experts. However, managers within business units remain collectively and individually responsible for managing risk in their own areas.

To ensure that the Company is as well prepared as possible to identify and manage risks (including its principal risks) in a rapidly changing environment, there are a number of key risk management processes and policies in place. These processes are enabled by an appropriate governance structure to support effective risk management processes and the appropriate risk culture.

The Group has an Internal Control Framework, which is articulated in the Board Governance and Control Policy. The Board is able to make informed and robust decisions based on information delivered via risk management systems described in the Risk Policy. The Risk Committee monitors risk management performance and the evolution of the risk profile through the quarterly Own Risk and Solvency Assessment ("ORSA") process. Any significant deviations from the policy or other issues identified are communicated to the Board by the Risk Committee.

The Corporate Governance team, overseen by the Chief Legal Officer and Company Secretary, supports the Board and Allianz Holdings plc Executive Committee in fulfilling their responsibilities in respect of the effectiveness of the Company's system of governance. The Allianz Holdings plc Executive Committee consists of senior leadership within the Company who oversee the Company's system of governance and seek assurance that the governance framework is appropriate and effective. The system of governance is subject to annual review to ensure it continues to facilitate sound and prudent management of the business of the Company (with a Statement of Accountability being signed by the Group CEO and Group Chief Financial Officer and provided to the Allianz SE Group as part of its own governance review).

Responsibilities

The Board's responsibilities include approving the strategy, strategic asset allocation, establishment and maintenance of the system of internal control, approval of new appointments to FCA/PRA Controlled functions and oversight of the overall operation of the Company.

The Board is responsible for setting and reviewing the Company's risk appetite. The Company has a written statement confirming the degree of uncertainty (or risk) that the Company is willing to accept in the pursuit of its goals. The Company has a conservative and controlled risk appetite that is aligned to achieving corporate objectives and meeting regulatory requirements as well as the requirements of its parent entity, Allianz Holdings plc.

In relation to the objectives in the annual corporate plan, the Company aims to ensure that it is not unduly exposed to any event or combination of events that could cause a variance in result inconsistent with the stated risk appetite. The Risk Committee is responsible for oversight of risks, both current and emerging. Mitigation activities are agreed by the Risk Committee and issues, such as reputational risk events, are escalated and acted upon as appropriate. Risks are monitored by the Risk Department via the risk management systems in place.

The Company has established clear communication channels. Internally, risks are discussed and escalated to relevant committees including the Risk Committee. Externally Allianz's risk profile is outlined in the Annual Report and Financial Statements, and Solvency and Financial Condition Report.

Principle Five – Remuneration

The Compensation & Nomination Committee of the Boards is responsible for oversight of the Group's compensation strategy and making recommendations to the Boards on matters concerning the remuneration of the Directors and senior executives.

The Group Remuneration Strategy and policies ensure that remuneration of all Group employees is aligned to the performance of the business and adheres to its values and behaviours. The Remuneration Policy also ensures that reputational and behavioural risks to the Company and Group from inappropriate incentives or arrangements are carefully considered.

During the year, the Compensation & Nomination Committee met the requirements of its clearly defined terms of reference, which included reviewing and publishing the Gender Pay Gap Report for 2021 (published in 2022). The Gender Pay Gap Report emphasises the approach of the Board to being an active and equal opportunities employer who promotes a workplace where everyone receives equal treatment regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. The 2022 Gender Pay Gap report for 2022 has also been published and the Board is taking active measures to address the gap and tracking actions aimed at reducing it. The reports can be found on the LV website.

The remuneration of employees below Allianz Senior Executive level is overseen by the Allianz Holdings plc Executive Committee.

Directors' Report for the Year Ended 31 December 2022 (continued)

Remuneration Decisions

The Compensation & Nomination Committee consists of independent non-executive Directors only. The Compensation & Nomination Committee is responsible for reviewing compensation strategy and applying it to senior executive positions in order to attract and retain quality people to enable the delivery of the Company's strategy. There is in place a robust process to assess how material risk takers have managed material risk events and risks therein, including conduct related risks, and influenced the risk profile of the business requiring adjustments to their remuneration. The process of reviewing risk takers performance is considered with input from Compliance, Audit, Risk and HR as part of the Risk Adjustment Review and their findings are presented to the Compensation & Nomination Committee for consideration. External benchmarking of remuneration is undertaken and is used when setting the remuneration of the Group's Senior Executive population. The Committee also oversees the design and operation of the performance management framework in meeting Allianz's objectives and local regulatory requirements and suggests changes to it.

Setting Remuneration

Compensation is set with reference to the Group's Remuneration Policy (which contains malus arrangements) and to the compensation framework set up by Allianz SE Group's Compensation Committee. The Compensation & Nomination Committee determines total remuneration in relation to Directors (executive and non-executive) with approval by the Board and senior executives. The Compensation & Nomination Committee seeks external input from specialist advisors on, for example, market trends and benchmarking. Different stakeholder groups such as customers and the shareholder were considered, including the Committee being satisfied that customers had been protected, when determining appropriate levels of bonus payments. The Compensation & Nomination Committee also takes into account relevant UK regulatory guidance on remuneration. Directors and Allianz Holdings plc Executive Committee members who sit on subsidiary Boards are remunerated at Group level and are not remunerated separately for their subsidiary Board positions. The Directors' remuneration is disclosed in note 13.

Salaries of all Group employees are aligned to the performance of the business and market conditions, with bonus (and long term incentives for senior executives) driven by a combination of personal and business performance. The approach is aligned for employees of all levels and remuneration, particularly bonuses, are closely aligned with the Group's purpose and values and achievement of strategy.

Principle Six – Stakeholder Relationships and Engagement

External Impacts

Good and effective governance underpins and drives a number of key business objectives including: growth and profitability, product performance, customer satisfaction, co-operative arrangements with third party stakeholders and suppliers, and sustainability.

The Group and the Company are acutely aware of the broader impact the business has on its various environments, its customers, suppliers and society in general, and adheres to and participates in the Allianz Holdings plc group's corporate social responsibility policies and practices. In addition, sustainability is a key objective of the business, informing what it does and in particular the goods and services it procures.

Throughout 2022 the Company focused a significant amount of time on creating an environment where employees of all backgrounds, felt included and were able to succeed, and also ensuring that as a company we continue to operate in an ethical, environmentally friendly and sustainable manner. Some of the activities in place to support this through the year include:

- An employee consultation forum is in place and support has been provided to enable this forum to become the main vehicle for Board and workforce direct engagement;
- Workforce engagement scores were reviewed regularly by the Board;
- Continued development of six employee networks to support engagement, education and raising awareness on topics and issues and to provide a safe space for employee communities and allies to meet and share experiences;
- Race at Work educational programme reached over 7500 employees across Allianz to raise awareness and knowledge about race and the expected behaviours within the workplace;
- Inclusive Leadership workshops held for all people managers across the organisation to support them in how they manage and lead teams in creating an inclusive working environment;

Directors' Report for the Year Ended 31 December 2022 (continued)

- Developed a roadmap of local activities to deliver sustainability objectives across the operations and supply chain in line with the Allianz Group ambitions and
- Continued the ongoing commitment to create positive social impact through the LV= branded bodyshop repair network – Green Heart Standard covering commitments around sustainability, employee wellbeing, diversity & inclusion and development through apprenticeships.

Stakeholders

The Company has a number of key stakeholders including: suppliers, customers, brokers, regulators, its shareholder and the wider Insurance industry. Details of how the Company and its Directors engage with stakeholders can be found in the section 172 statement on page 7.

Directors' responsibility to the Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been re-appointed as auditors at the end of 28 days beginning with the day on which copies of these report and financial statements are sent to Members.

By order of the Board

C M Twemlow
Company secretary

6 April 2023

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 UK-adopted international accounting standards.

Under company law, 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 apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

On behalf of the Board

F K Dyson
Director

6 April 2023

Independent auditors' report to the members of Liverpool Victoria Insurance Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Liverpool Victoria Insurance Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit committee.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 11, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed a full scope audit of the financial statements of the company in accordance with our risk assessment and materiality. In doing so, we also considered qualitative and quantitative factors across all financial statements line items in the financial statements.

Key audit matters

- Valuations of Insurance contract liabilities
- Valuation of Investment in Highway Insurance Group Limited

Materiality

- Overall materiality: £11.1m (2021: £11.4m) based on the amount that would change the Combined Operating Ratio ("COR") by more than 1%, excluding the effect of the internal quota share contract..
- Performance materiality: £8.3m (2021: £8.5m).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuations of Insurance contract liabilities	
Refer to Note 1 for the accounting policies, and Notes 2 and 25 for disclosure of the related judgement and estimates.	In performing our audit over the insurance contract liabilities, we have used actuarial specialists as part of our team to conduct some of the testing. Our procedures included:
The company financial statements include liabilities for the estimated cost of settling insurance claims. These are included within the insurance contract liabilities. This key audit matter is focussed on the subjectivity of the assumptions used by management in the calculation of claims incurred but not reported ('IBNR') (£24.2m) and PPO reserves (£58.2m) which are included within insurance claims liabilities.	● Developing independent point estimates for classes of business considered to be higher risk, particularly focussing on the largest and most uncertain estimates, with data as at 31 August 2022 and performing roll-forward procedures to 31 December 2022. For these classes, we compared our re-projected estimates to those booked by management to form part of our determination as to whether the overall estimated insurance contract liabilities represent a reasonable estimate;
This is a significant accounting estimate in the financial statements and involves a significant degree of	● For selected high and medium risk lines we examined the methodologies and assumptions used by management to

judgement. The reinsurers' share of IBNR was also considered as part of this risk as it has similar features of estimation uncertainty.	derive their estimates and whether these produced reasonable estimates against selected metrics based on the company's facts and circumstances. For lower risk classes, analytical procedures were performed;
Key areas of focus this year were:	• Evaluated management's reserve uncertainty assessment;
• The underlying volatility attached to estimates for the larger classes of business, such as personal motor and property business. For these lines of business, small changes in assumptions can lead to large changes in the level of the estimate held and the combined operating ratio;	• Obtained and reviewed relevant reinsurance contracts(including Excess of Loss agreements and the internal quota share agreement with Allianz Re Dublin dac);
• The methodologies and assumptions used in estimating the costs of claims for general insurance products (including motor policies), in particular for those claims such as personal injury, which can take a long time to settle and where the amounts concerned can be large; and	• For inflation, we tested management's assessment of future inflation within the IBNR reserves by comparing to our own independent estimate.
The directors include a margin on top of the actuarial best estimate to reflect the inherent uncertainty in estimating the ultimate losses on claims. This is a significant area of judgement and, therefore, a focus of our audit.	• Tested the underlying relevant data (including but not limited to claims case estimates and paid claims) to relevant audit evidence;
Whilst this risk is predominantly focused on under-reserving, we also considered whether excessive levels of prudence exist within management's booked insurance claims liabilities.	• Considered the directors' assessment of estimation uncertainty;
	• Considered whether any of our audit procedures gave rise to an indication of management bias;
	• Considered external factors that could have an impact on claims reporting and settlement, such as macro economic inflation and the whiplash legal reforms; and
	• Assessed the disclosures in the financial statements
	In performing the above, we have also:
	• Examined quarterly reserving committee minutes of meetings;
	• Examined the reporting presented by management's actuarial team to wider management, the reserve committee, risk committee and audit committee, which included detailed reviews of key areas of uncertainty; and
	• Tested the assessment of estimation uncertainty (disclosed in Note 26) including the disclosures in relation to the effect of the change in approach to the booked margin.
	Based on the work performed and evidence obtained, we consider the valuation of insurance contract liabilities to be appropriate.
Valuation of Investment in Highway Insurance Group Limited	
Refer to Note 1 for the accounting policies, and Notes 2 and 15 for disclosure of the related judgement and estimates in respect of the investments in group undertakings.	Our work to address the valuation of the company's investment in group undertakings included the following procedures:
The company holds a 100% investment in Highway Insurance Group Limited ('HIG'), which in turn owns 100% of the share capital of Highway Insurance Company Limited ('HICO'). HIG has no trading activities of its own and therefore is 100% supported by the value generated by HICO.	• We have analysed management's impairment review and the five-year cash flow forecasts they have developed to ascertain a value in use for the HICO business, including a terminal value;

HICO has been loss making in 2022, 2021, and 2020. This casts doubt over the recoverable amount of the company's investment in these subsidiaries. Management have undertaken an impairment review and determined the value in use based on discounted future cash flows, in accordance with the requirements of IAS 36 “Impairment of assets”. As a result, management have recorded an impairment of £35m. The key assumptions in their model to which the outcome is most sensitive are the loss and expense ratios, and the discount rate, which all involve varying degrees of subjectivity. It is the levels of uncertainty and subjectivity that contribute to this being determined a key audit matter.	● We have compared the discount rate assumption to an estimated cost of capital determined using comparable listed company data; ● We have assessed management’s ability to forecast by comparing the prior year forecasted results to the current year actuals for income and expenses. ● We have challenged and tested management's impairment analysis including reviewing the appropriateness of the assumptions, sensitivity analysis, and testing the underlying source data used in management's valuation; and ● Assessed the disclosures in the financial statements. Based on the work performed and evidence obtained, we consider the valuation of Highway Insurance Group Limited to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company is a UK domiciled insurer. In determining the scope of the audit, we performed risk assessment procedures which included understanding the business operations, the internal control environment and management’s process for the preparation of the financial statements. We applied our materiality benchmark across each financial statement line item to identify which items were significant to the audit of the company.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company’s financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company’s financial statements.

Materiality

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

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

Overall company materiality	£11.1m (2021: £11.4m).
How we determined it	the amount that would change the Combined Operating Ratio ("COR") by more than 1%, excluding the effect of the internal quota share contract.
Rationale for benchmark applied	We consider the COR as a key performance related benchmark used by the directors and is central to the directors' communication to the public on the performance of the business. In determining our materiality, we excluded the effect of the company's internal quota share reinsurance arrangement with another Allianz SE group company to ensure materiality is calculated on a basis consistent with how management view the performance of the business.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £8.3m (2021: £8.5m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £0.55m (2021: £0.57m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the directors' going concern assessment and challenging the material assumptions made using our knowledge of the business, review of regulatory correspondence and obtaining further corroborative evidence;
- Considered management's assessment of the regulatory Solvency coverage and liquidity position;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Assessing the disclosures made by management in the financial statements and checking the consistency of the disclosures with our knowledge of the company based on our audit and the other procedures listed here.

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

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.

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates and judgemental areas of the financial statements, such as the valuation of insurance contract liabilities, and the possible impairment of the company's investment in Highway Insurance Group Limited. Audit procedures performed by the engagement team included:

- Discussing with the Board of Directors, management, internal audit, senior management involved in the risk and compliance functions and the company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing data regarding policyholder complaints, the company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Attending relevant meetings of the Audit Committee and reviewing meeting minutes, including those of the Board of Directors;
- Testing significant accounting estimates and judgements, such as insurance contract liabilities, and the investment in Highway Insurance Group Limited, as included in the key audit matters section above;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 29 May 2008 to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. The period of total uninterrupted engagement is 15 years, covering the years ended 31 December 2008 to 31 December 2022.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 April 2023

Statement of Profit and Loss and Other Comprehensive Income
For the Year Ended 31 December 2022

	Note	2022 £ m	Restated 2021 £ m
Gross earned premiums	4	1,305.1	1,204.0
Reinsurers' share of gross earned premiums	4	(562.3)	(515.9)
Net insurance revenue	**4**	**742.8**	**688.1**
Reinsurance commission*		96.4	109.2
Investment income*	5	23.8	16.7
Net realised (losses)/gains	8	(8.5)	1.6
Other income*	6	46.5	40.8
Other revenue		**158.2**	**168.3**
Total revenue		**901.0**	**856.4**
Gross insurance claims paid	25	(941.7)	(709.4)
Reinsurers' share of gross insurance claims paid	25	322.8	266.4
Gross change in insurance liabilities	25	(137.6)	(107.8)
Reinsurers' share of gross change in insurance liabilities	25	156.0	97.0
Net insurance claims		**(600.5)**	**(453.8)**
Commission*		(72.2)	(56.8)
Finance income*		-	10.0
Finance costs*	7	(5.5)	(1.1)
Impairment of investment in group undertakings	15	(35.0)	-
Other operating and administrative expenses*	9	(262.5)	(244.3)
Other expenses		**(375.2)**	**(292.2)**
Total claims and expenses		**(975.7)**	**(746.0)**
(Loss)/profit before tax from continuing operations		**(74.7)**	**110.4**
Income tax receipt/(expense)	12.1	9.9	(15.2)
(Loss)/profit for the year from continuing operations		**(64.8)**	**95.2**
Profit/(Loss) for the year from discontinued operations	**3**	**0.8**	**(1.1)**
(Loss)/Profit for the year attributable to the equity holder		**(64.0)**	**94.1**
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss			
Deficit on revaluation of available for sale financial assets		(149.8)	(39.0)
Change in fair value of available for sale financial assets transferred to profit or loss		10.9	(1.7)
Income tax relating to these items		34.7	8.4
		(104.2)	**(32.3)**
Other comprehensive expense for the year, net of tax		**(104.2)**	**(32.3)**
Total comprehensive (expense)/income attributable to the equity holder		**(168.2)**	**61.8**

*These items have been restated for 2021 due to presentational changes. For more information, please see the notes to the financial statements.

The accounting policies and notes on pages 41 to 89 are an integral part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Share capital £ m	Fair value reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2021	384.9	23.8	260.7	669.4
Net change in fair value of available for sale financial assets	-	(39.0)	-	(39.0)
Net change in fair value of available for sale financial assets transferred to profit or loss	-	(1.7)	-	(1.7)
Tax on fair value movements	-	8.4	-	8.4
Profit for the year	-	-	94.1	94.1
Dividends	-	-	(164.0)	(164.0)
Total recognised income and expense for the year	**-**	**(32.3)**	**(69.9)**	**(102.2)**
At 31 December 2021	**384.9**	**(8.5)**	**190.8**	**567.2**

	Share capital £ m	Fair value reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2022	384.9	(8.5)	190.8	567.2
Net change in fair value of available for sale financial assets	-	(149.8)	-	(149.8)
Net change in fair value of available for sale financial assets transferred to profit or loss	-	10.9	-	10.9
Tax on fair value movements	-	34.7	-	34.7
Loss for the year	-	-	(64.0)	(64.0)
Dividends	-	-	(10.0)	(10.0)
Total recognised income and expense for the year	**-**	**(104.2)**	**(74.0)**	**(178.2)**
At 31 December 2022	**384.9**	**(112.7)**	**116.8**	**389.0**

The accounting policies and notes on pages 41 to 89 are an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2022

	Note	2022 £ m	Restated 2021 £ m
Assets			
Intangible assets	16	17.0	17.3
Investment in group undertakings	15	184.6	194.6
Deferred acquisition costs	17	66.2	55.2
Deferred tax assets	12.5	37.5	2.8
Reinsurance assets	18, 25	811.9	608.9
Financial assets			
Available for sale financial assets	20	1,272.9	1,338.7
Loans to related parties	20	31.5	47.3
Insurance receivables*	21	392.1	281.3
Other receivables*	22	10.5	39.5
Current tax receivables	12.4	14.1	-
Accrued income and prepayments*	19	29.8	25.5
Cash and cash equivalents	23	47.4	13.9
Total assets		**2,915.5**	**2,625.0**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	24	(384.9)	(384.9)
Fair value reserve		112.7	8.5
Retained earnings		(116.8)	(190.8)
Total equity		**(389.0)**	**(567.2)**
Liabilities			
Insurance contract liabilities	25	(1,763.0)	(1,571.9)
Reinsurers' share of deferred acquisition costs	17	(52.6)	(50.2)
Insurance related payables*	27	(635.6)	(358.6)
Deferred tax liabilities	12.5	(2.3)	(2.1)
Accruals and other payables*	28	(59.7)	(54.9)
Borrowings*	30	(13.2)	(1.6)
Current tax liability	12.4	-	(18.5)
Financial liabilities			
Derivative financial liabilities		(0.1)	-
Total liabilities		**(2,526.5)**	**(2,057.8)**
Total equity and liabilities		**(2,915.5)**	**(2,625.0)**

*These items have been restated for 2021 due to presentational changes. For more information, please see the notes to the financial statements.

The accounting policies and notes on pages 41 to 89 are an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2022 (continued)

These financial statements on pages 35 to 89 were approved by the Board of Directors on 4 April 2023 and signed on its behalf by:

F K Dyson
Director

Liverpool Victoria Insurance Company Limited
Registered Number: 03232514

The accounting policies and notes on pages 41 to 89 are an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended 31 December 2022

	Note	2022 £ m	Restated 2021 £ m
Cash flows from operating activities			
(Loss)/profit before tax from continuing operations		(74.7)	110.4
Profit/(loss) before tax from discontinued operations		1.0	(1.3)
(Loss)/profit before tax		**(73.7)**	**109.1**
Adjusted for non-cash items			
Amortisation of intangible assets	16	0.3	0.2
Net acquisition costs deferred during the year	17	(8.6)	46.0
Net realised losses/(gains)	8	8.5	(1.6)
Interest received*	6	(34.8)	(31.0)
Impairment of investment in group undertakings	15	35.0	-
Dividend income*		-	(10.0)
Investment income*		(24.2)	(17.5)
Finance costs*		5.5	1.1
		(92.0)	**96.3**
Changes in working capital			
Increase in reinsurance assets	18	(203.0)	(335.0)
Increase in accrued income and prepayments*	19	(4.3)	0.2
Increase in insurance receivables*	21	(110.8)	(31.7)
Decrease/(increase) in other receivables*		29.0	(13.2)
Increase in insurance contract liabilities	25	191.1	53.7
Increase in insurance related payables*	27	277.0	344.2
Increase/(decrease) in accruals and other payables*	28	4.8	(42.8)
Cash generated from operations		**91.8**	**71.7**
Interest received*		34.8	31.0
Income tax paid	12.3	(22.8)	(20.5)
Interest paid*		(5.0)	(0.5)
Net cash flow generated from operating activities		**98.8**	**81.7**
Cash flows from investing activities			
Purchase of available for sale financial assets*		(450.8)	(808.6)
Proceeds from sale of available for sale financial assets*		369.9	818.8
Dividend received		-	10.0
Interest received*		23.7	34.6
Capital injection		(25.0)	-
Purchase of Intangible Assets	16	-	(0.6)
Proceeds from loan from group undertakings		15.8	15.8
Net cash flows (used in)/generated from investing activities		**(66.4)**	**70.0**
Cash flows from financing activities			
Interest paid on loan guarantee*		(0.5)	(0.6)
Dividend paid to company's shareholders	14	(10.0)	(164.0)
Net cash flows used in financing activities		**(10.5)**	**(164.6)**
Net increase/(decrease) in cash and cash equivalents		**21.9**	**(12.9)**
Cash and cash equivalents at the beginning of the year	23	**12.3**	**25.2**

The accounting policies and notes on pages 41 to 89 are an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended 31 December 2022 (continued)

	Note	2022 £ m	Restated 2021 £ m
Cash and cash equivalents at the end of the year	23	34.2	12.3

*These items have been restated for 2021 due to presentational changes. For more information, please see the notes to the financial statements.

1 ACCOUNTING POLICIES

1.1 Company and its operations

Liverpool Victoria Insurance Company Limited is a private limited company incorporated in England and Wales and domiciled in the United Kingdom, whose shares are not publicly quoted. The Company transacts most classes of general insurance business. Products offered include motor, household and liability.

1.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

1.3 Basis of preparation

The Company is exempt from the obligation to prepare and deliver group financial statements by virtue of the Companies Act 2006 (Section 401 1a) as it is a subsidiary undertaking of an EU parent (Allianz SE) (see note 32). The financial statements present information about the Company as an individual undertaking and not about its Group.

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value:

- Financial assets classified as available for sale
- Derivative financial instruments

The functional and presentational currency is British Pounds.

Restatement

There have been restatements across several financial statement line items and risk management notes to reflect presentational changes as a result of alignment with the financial statements of Allianz Insurance Plc. These have all been identified as restated within the financial statements and the respective notes.

All amounts in the financial statements and notes have been rounded to the nearest one hundred thousand Sterling Pound, unless otherwise stated. This is a change in presentation from the prior year where they were rounded to the nearest thousand Sterling Pound.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

Statement of Profit and Loss and Other Comprehensive Income

	Note	2021 £m	Adjustments £m	Restated £m
Gross earned premiums	4	1,204.0	-	1,204.0
Reinsurers' share of gross earned premiums	4	(515.9)	-	(515.9)
Net insurance revenue	**4**	**688.1**	**-**	**688.1**
Reinsurance commission*		-	109.2	109.2
Investment income*	5	26.7	(10.0)	16.7
Net realised (losses)/gains	8	1.6	-	1.6
Other income*	6	53.6	(12.8)	40.8
Other revenue		**81.9**	**86.4**	**168.3**
Total revenue		**770.0**	**86.4**	**856.4**
Gross insurance claims paid	25	(709.4)	-	(709.4)
Reinsurers' share of gross insurance claims paid	25	266.4	-	266.4
Gross change in insurance liabilities	25	(107.8)	-	(107.8)
Reinsurers' share of gross change in insurance liabilities	25	97.0	-	97.0
Net insurance claims		**(453.8)**	**-**	**(453.8)**
Commission*		-	(56.8)	(56.8)
Finance income*		-	10.0	10.0
Finance costs*	7	(0.5)	(0.6)	(1.1)
Other operating and administrative expenses*	9	(205.3)	(39.0)	(244.3)
Other expenses		**(205.8)**	**(86.4)**	**(292.2)**
Total claims and expenses		**(659.6)**	**(86.4)**	**(746.0)**
Profit before tax from continuing operations		**110.4**	**-**	**110.4**

Restatement - errors

*Reinsurance commission previously classified within Other operating and administrative expenses included £96.4m which has now been reclassified to Reinsurance commission on the face of the Statement of Profit and Loss and Other Comprehensive Income.

Restatement - change in accounting policies

*£12.8m has also been reclassified from Other income to Reinsurance commission; totalling £109.2m.

*Commission (paid to Brokers) of £56.8m has been reclassified from Other operating and administrative expenses to Commission on the face of the Statement of Profit and Loss and Other Comprehensive Income.

*Dividend income of £10.0m has been reclassified from Investment income to Finance income.

*The loan guarantee fee of £0.6m has been reclassified from Other operating and administrative expenses to Finance costs.

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

*Other operating and administrative expenses has been reclassified by £39.0m to reflect the reclassification of Reinsurance Commission (£96.4m as detailed above) offset by Commission (£56.8m) and the loan guarantee fee to Finance costs (£0.6m).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

Statement of Financial Position

	Note	2021 £m	Adjustments £m	Restated 2021 £m
Assets				
Intangible assets	16	17.3	-	17.3
Investment in group undertakings	15	194.6	-	194.6
Deferred acquisition costs	17	55.2	-	55.2
Deferred tax assets	12.5	2.8	-	2.8
Reinsurance assets	18, 25	608.9	-	608.9
Financial assets				
Available for sale financial assets	20	1,338.7	-	1,338.7
Loans to related parties	20	47.3	-	47.3
Insurance receivables*	21	280.6	0.7	281.3
Other receivables*	22	38.8	0.7	39.5
Accrued income and prepayments*	19	26.2	(0.7)	25.5
Cash and cash equivalents	23	13.9	-	13.9
Total assets		**2,624.3**	**0.7**	**2,625.0**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	24	(384.9)	-	(384.9)
Fair value reserve		8.5	-	8.5
Retained earnings		(190.8)	-	(190.8)
Total equity		**(567.2)**	**-**	**(567.2)**
Liabilities				
Insurance contract liabilities	25	(1,571.9)	-	(1,571.9)
Reinsurers' share of deferred acquisition costs	17	(50.2)	-	(50.2)
Insurance related payables*	27	(7.1)	(351.5)	(358.6)
Deferred tax liabilities	12.5	(2.1)	-	(2.1)
Funds withheld to reinsurers'		(311.5)	311.5	-
Accruals and other payables*	28	(95.8)	40.9	(54.9)
Borrowings*	30	-	(1.6)	(1.6)
Current tax liability	12.4	(18.5)	-	(18.5)
Total liabilities		**(2,057.1)**	**(0.7)**	**(2,057.8)**
Total equity and liabilities		**(2,624.3)**	**(0.7)**	**(2,625.0)**

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

Restatement - errors

*Accruals and other payables (accrued expenses) has been restated due to a reclassification between accruals and other payables and insurance payables of £39.3m (£13.7m in amounts due to policyholders from direct insurance operations and £25.6m in amounts due to third parties from direct insurance operations).

Restatement - change in accounting policies

*An element of accrued interest has been reclassified to Other receivables from Accrued income and prepayments relating to fixed interest (£0.7m).

*Insurance receivables has been restated by £0.7m reflecting a reclassification between Insurance payables and Insurance receivables (due from reinsurers).

*Insurance related payables has been restated by £351.5m due to a £39.3m reclassification from Accruals and other payables (as detailed above); £311.5m from Funds withheld due to reinsurers' and £0.7m from Insurance receivables (reclassified as amounts due to third parties arsing from reinsurance operations).

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

Statement of Cash Flows

	Note	2021 £ m	Adjustment £ m	Restated 2021 £ m
Cash flows from operating activities				
Profit before tax from continuing operations		110.4	-	110.4
Profit/(loss) before tax from discontinued operations		(1.3)	-	(1.3)
(Loss)/profit before tax		**109.1**	**-**	**109.1**
Adjusted for non-cash items				
Amortisation of intangible assets	16	0.2	-	0.2
Net acquisition costs deferred during the year	17	46.0	-	46.0
Net realised losses/(gains)	8	(1.6)	-	(1.6)
Interest received*	7	-	(31.0)	(31.0)
Dividend income*		-	(10.0)	(10.0)
Investment income*		(27.5)	10.0	(17.5)
Finance costs*		-	1.1	1.1
		126.2	**(29.9)**	**96.3**
Changes in working capital				
Increase in reinsurance assets	18	(335.0)	-	(335.0)
Increase in accrued income and prepayments*	19	(0.5)	0.7	0.2
Increase in insurance receivables*	21	(31.0)	(0.7)	(31.7)
Increase in other receivables*		(12.5)	(0.7)	(13.2)
Increase in insurance contract liabilities	25	53.7	-	53.7
Increase in insurance related payables*	27	(7.3)	351.5	344.2
Increase in funds withheld to reinsurers'*		311.5	(311.5)	-
Increase/(decrease) in accruals and other payables*	28	(3.5)	(39.3)	(42.8)
Cash generated from operations		**101.6**	**(29.9)**	**71.7**
Interest received*		46.3	(15.3)	31.0
Income tax paid	12.3	(20.5)	-	(20.5)
Interest paid*		-	(0.5)	(0.5)
Net cash flow generated from/(used in) operating activities		**127.4**	**(45.7)**	**81.7**

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

	Note	2021 £ m	Adjustment £ m	Restated 2021 £ m
Cash flows from investing activities				
Net decrease in investments at fair value through profit or loss*		1.9	(1.9)	-
Net decrease of available for sale financial assets*		27.6	(27.6)	-
Purchases of available for sale financial assets*		-	(808.6)	(808.6)
Proceeds from sale of available for sale financial assets*		-	818.8	818.8
Dividend received		10.0	-	10.0
Interest received*		(31.0)	65.6	34.6
Purchase of Intangible Assets	16	(0.6)	-	(0.6)
Proceeds from loan from group undertakings		15.8	-	15.8
Net cash flows generated from investing activities		**23.7**	**46.3**	**70.0**
Cash flows from financing activities				
Interest paid on loan guarantee*		-	(0.6)	(0.6)
Dividend paid to company's shareholders	14	(164.0)	-	(164.0)
Net cash flows used in financing activities		**(164.0)**	**(0.6)**	**(164.6)**
Net decrease in cash and cash equivalents		**(12.9)**	**-**	**(12.9)**
Cash and cash equivalents at the beginning of the year	**23**	**25.2**	**-**	**25.2**
Cash and cash equivalents at the end of the year	**23**	**12.3**	**-**	**12.3**

Restatement - errors

*The net decrease of available for sale assets has been restated to reflect the Purchase of available for sale financial assets (£808.6m), offset by the Proceeds from sale of available for sale financial assets (£818.8m) and Interest received (cash flows from investing activities) (£17.1m). The restated interest received balance in operating activities of £31.0m has been reclassified from investing activities as it reflects interest received on instalment policies. This was a correction of a prior year error. Finance costs and interest paid on loan guarantee have also been reclassified within the Statement of Cash Flows.

*Accruals and other payables (accrued expenses) has been restated due to a reclassification between accruals and other payables and insurance payables of £39.3m (£13.7m in amounts due to policyholders from direct insurance operations and £25.6m in amounts due to third parties from direct insurance operations).

Restatement - change in accounting policies

*An element of accrued interest has been reclassified to Other receivables from Accrued income and prepayments relating to fixed interest (£0.7m).

*Insurance receivables has been restated by £0.7m reflecting a reclassification between Insurance payables and Insurance receivables (due from reinsurers).

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

*Insurance related payables has been restated by £351.5m due to a £39.3m reclassification from Accruals and other payables (as detailed above); £311.5m from Funds withheld due to reinsurers' and £0.7m from Insurance receivables (reclassified as amounts due to third parties arsing from reinsurance operations).

*£10.0m of Investment income has been reclassified as Dividend income, thus restating Investment income to £17.5m.

Going concern

These financial statements are prepared on a going concern basis. For more information on the going concern assessment please refer to the Directors' Report on page 16.

New standards and interpretations adopted by the Company

There are no new standards and interpretations affecting the Company that are mandatorily effective from 1 January 2022. The accounting policies have been consistently applied unless a new policy has been implemented.

New standards and interpretations not yet adopted by the Company

New standards and interpretations which are not mandatorily effective have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early; instead it will apply the standards from the effective date as determined by the date of UK Endorsement Board ("UKEB").

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

IFRS 17 - Insurance Contracts

IFRS 17 “Insurance Contracts” – In May 2017 the International Accounting Standards Board (“IASB”) issued IFRS 17 and it was amended in June 2020 and December 2021. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4. The effective date of the new standard was postponed until 1 January 2023. The latest amendment issued by the IASB on 9 December 2021 adds a transition option that permits an entity to apply a classification overlay in the comparative periods presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative periods in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The Company intends to apply the classification overlay, including the impairment requirements of IFRS 9, consistently to all eligible financial instruments.

IFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, namely the General measurement model (“GMM”), Variable fee approach (“VFA”) and Premium allocation approach (“PAA”), reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance. The Company has assessed the insurance contracts issued and the work completed to date would suggest that these will be PAA eligible. The exception to this approach is the reinsurance Loss Portfolio Transfer arrangement with a fellow Allianz SE Group Company for the pre 1 January 2021 contract years, which has been measured under the GMM approach and further information is included within the key judgements section.

The PAA is a simplified approach for the measurement of the liability of remaining coverage. An entity may choose to use this when the coverage period of each contract in the group of insurance contracts is one year or less or the PAA provides a measurement which is not materially different from that under GMM. Under PAA, the Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the:

- Liability for remaining coverage at the beginning of the period;
- Plus premiums received in the period;
- Minus insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period;
- Minus the amount recognised as insurance revenue for the coverage period and
- Plus any increase or minus and decrease in the loss component over the period.

The GMM, also known as the building block approach, consists of the fulfillment cashflows and the contractual service margin (“CSM”). The fulfillment cash flows represent the risk-adjusted present value of an entity’s rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The CSM represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting.

Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts.

In the Statement of Financial Position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

The amounts presented in the Statement of Profit and Loss and Other Comprehensive Income need to be disaggregated into an insurance service result, consisting of the insurance revenue, insurance service expense and directly attributable expenses. Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts issued.

Expected accounting policy application of IFRS 17

- Portfolios have been established comprising of contracts subject to similar risks that are managed together. Groups of contracts will be established according to profitability.
- All gross and reinsurance contracts will use the PAA with the exception of the reinsurance Loss Portfolio Transfer arrangement for pre 1 January 2021 contract years with Allianz Re which will use the GMM approach. These contract years are not eligible for the PAA as the coverage period, which is equal to the settlement period of the liabilities, is greater than 1 year.
- All costs have been reviewed to identify the key changes from IFRS 4 to IFRS17. No material changes have been identified in the classification of expenses between claims handling, administration and acquisition expenses. Further assessment has been performed to determine costs which are not fully attributable to the fulfilment of insurance contracts. This provides no material impact to the net income as these non-attributable costs are included elsewhere in the Statement of Profit and Loss and Other Comprehensive Income however, it does reduce the costs included within the insurance service result and subsequent reduction in the deferral of acquisition costs.
- Insurance acquisition costs have been reviewed for costs which are incurred upfront at the acquisition of a contract and relevant to subsequent renewals which as per IFRS 17 should be deferred over the expected lifetime of the underlying policy. The Company acquires it's insurance policies through a combination of brokers and direct sales. As broker costs are incurred during subsequent policy renewals it is only the direct sales channels which have been identified as requiring additional capitalisation over the lifetime of the policy resulting in an increase in the deferral of acquisition costs.
- Reinsurance/Insurance contract Assets and Reinsurance/Insurance contract Liabilities have both been presented under IFRS 17 to align with the requirement to recognise insurance liabilities (or assets) and reinsurance assets (or liabilities) respectively within liabilities or assets on the Statement of Financial Position.

A number of key judgments have been made for the application of IFRS17:

- Whilst IFRS 17 does not prescribe a single estimation technique to derive discount rates, it sets out two possible approaches: a 'top-down' and a 'bottom-up' approach. The 'top-down' approach determines the discount rate based on the yield on a reference portfolio of assets which is adjusted downwards to eliminate any factors that aren't relevant to insurance contracts. The 'bottom-up' approach determines the discount rate based on a liquid risk-free yield curve which is adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the insurance contract. The 'bottom-up' approach can be used for cashflows that don't vary based on the return on the underlying items. This is the case for the Company and the 'bottom-up' approach will be adopted.
- The risk adjustment will be calculated using a cost of capital based approach.

At the point of transition the Company has applied the fully retrospective approach for the liability for remaining coverage and for liability for incurred claims balances back to accident year 2014 with prior accident year balances applying the modified retrospective approach due to the impracticability of acquiring all required data.

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

IFRS 17 has to be applied retrospectively unless this is impracticable. Under the full retrospective approach fulfillment cash flows are determined prospectively at every reporting date, including the date of initial application. The objective of the modified retrospective approach is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to full retrospective application. To the extent a retrospective determination is not possible, certain modifications are allowed. Under the fair value approach, the contractual service margin of a group of contracts at transition is determined as the difference between the fair value of this group at transition determined in accordance with IFRS 13 and the corresponding IFRS 17 fulfillment cash flows measures at transition. As detailed above the transition approach for the Company has been confirmed.

The Company has completed parallel runs of the financial results under IFRS 17 in line with the “One.Finance” project to understand the impact of these changes. Although the IFRS 17 implementation project has made significant progress, the financial results that are available and that have been reported to Allianz SE Group are in line with Group accounting requirements.

From a local perspective work is still on-going to calculate the impact of adoption and as such it is not practicable to quantify the effects on the Company’s IFRS 17 opening balance sheet for the fiscal year 2022 or on any financial statements for subsequent periods.

IFRS 9 - Financial Instruments

IFRS 9 ‘Financial Instruments’ replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’ and changes the classification and measurement of financial assets, based on the business model under which they are held, as well as hedge accounting requirements and recognising expected credit losses (“ECL”). The Company, based on the impact assessment performed under One.Finance, has taken advantage of the exemption available as its activities are predominantly insurance related to defer applying IFRS 9 'Financial Instruments' (which would otherwise be applicable for annual reporting periods beginning on or after 1 January 2018) until 1 January 2023, which will coincide with the expected implementation of IFRS 17. IFRS 9 introduces a forward looking ECL model. This requires judgement about how changes in economic factors affect ECLs which are determined on a probability weighted basis. Based on the assessment undertaken to date, no significant impact to the financial statements is anticipated in either net income or equity.

In order to qualify for the temporary exemption an entity has to prove that its activities are predominantly connected to insurance as of 31 December 2015. Under the amended IFRS 4, this condition is met if the insurer carries significant liabilities arising from contracts within the scope of IFRS 4. Significant insurance-related liabilities are given, among others, if the percentage of the total carrying amount of liabilities within the scope of IFRS 4 relative to the total carrying amount of all liabilities is greater than 90%. A reassessment at a subsequent annual reporting date is required if, and only if, there was a change in the Company's activities during the annual period that ended on that date.

As of 31 December 2015, the Company‘s total carrying amount of liabilities connected with insurance represented more than 90% of its total liabilities at 97%. No change in the activities of the Company has occurred subsequently that would have required a reassessment.

The following table discloses whether the financial assets meet the solely payments of principal and interest (“SPPI”) criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, or that is managed and whose performance is evaluated on a fair value basis).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of preparation (continued)

Financial assets under IFRS 9 classification rules:

As at 31 December 2022	Financial assets that meet the SPPI criterion		Financial assets that do not meet the SPPI criterion	
	Fair value £ m	Fair Value change during the year £ m	Fair Value £ m	Fair Value change during the year £ m
Cash and cash-equivalents	47.4	-	-	-
Debt securities	489.8	(18.9)	-	-
Government and government agency bonds	252.3	(22.5)	-	-
Corporate bonds	506.0	(91.6)	3.9	(0.3)
Managed Funds	-	-	20.9	5.8
Total	**1,295.5**	**(133.0)**	**24.8**	**5.5**

Carrying amounts of financial assets that meet the SPPI criterion by rating:

As at 31 December 2022

Investment grade	Cash and cash equivalents £ m	Government and government agency bonds £ m	Corporate bonds £ m
AAA	-	45.8	412.2
AA	-	167.1	78.9
A	47.4	5.8	180.6
BBB	-	13.4	316.9
Non-investment grade	-	20.2	7.2
Total	**47.4**	**252.3**	**995.8**

1.4 Summary of significant accounting policies

The Company has identified the accounting policies that are most significant to its business operations and the understanding of its results. The accounting policies which involve the most complex or subjective decisions or assessments relate to insurance contract liabilities, the ascertainment of fair values of financial assets and liabilities and probability of deferred tax assets being realised. In each case, the determination of these is fundamental to the financial results and position and requires management to make complex judgements based on information and financial data that may change in the future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce significantly different results. Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of significant adjustments in the next year are discussed in note 2.

The significant accounting policies adopted in the preparation of the financial statements are set out in the following paragraphs.

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(a) Investments in group undertakings
Investments in group undertakings are shown in the Statement of Financial Position at cost. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment assessment compares the carrying amount of the investment in the subsidiary with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount is higher than the recoverable amount, an impairment is recognised in the Statement of Profit and Loss and Other Comprehensive Income in the period in which it occurred.

The Company is exempt from preparing group financial statements by virtue of the Companies Act 2006, as it is a subsidiary undertaking of an EU parent (see note 32).

(b) Intangible assets
The Company applies the cost model to account for intangible assets. The cost of acquiring renewal rights to portfolios of insurance business is amortised on a straight line basis over the expected life of the intangible asset. This useful life has been assessed within the range of 10 to 20 years.

If the intangible asset has an indefinite useful life, then it is not amortised but tested annually for impairment.

(c) Deferred acquisition costs (“DAC”)
Commission and other acquisition costs (gross and reinsurance) incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins.

DAC are capitalised and amortised based on the incidence of risk of the underlying insurance contract. All other acquisition costs are recognised as an expense when incurred.

The DAC asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the Statement of Financial Position date.

An impairment review is performed at each reporting date and the carrying value is written down to the recoverable amount, and the impairment loss is recognised immediately in the Statement of Profit and Loss and Other Comprehensive Income.

(d) Income taxes
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit and Loss and Other Comprehensive Income. Current tax and deferred tax shall be recognised outside profit and loss if the tax relates to items that are recognised, in the same or a different period, outside profit and loss.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, together with adjustments to tax payable in respect of prior years.

Deferred income tax is provided in full using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the Statement of Financial Position date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date.

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(d) Income taxes (continued)

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets are reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Group tax losses are utilised when available. Consideration paid for group relief is accounted for in the financial statements as though the payment had been made to the relevant tax authorities.

(e) Reinsurance assets

The Company cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amounts due to it under the terms of the contract and that this can be measured reliably. Impairment losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income.

(f) Financial assets

The Company classifies its investments as either available for sale financial assets or loans to related parties.

All purchases and sales of financial assets are recognised on the trade date i.e. the date the Company commits to purchase or sell the asset.

All financial assets are initially recognised at fair value plus, in the case of available for sale assets and loans and receivables, the transaction costs that are directly attributable to the acquisition of the investment. A financial asset shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

Available for sale financial assets

Available for sale financial assets, after initial recognition, are measured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the Statement of Profit and Loss and Other Comprehensive Income.

Loans to related parties

Loans and receivables are financial assets with fixed or determinable payments and are not quoted on an active market. Loans and receivables are subsequently measured at amortised cost.

Impairments

The carrying value of all financial assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. At each Statement of Financial Position date, an assessment is made of whether there is any objective evidence of impairment. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

Impairments (continued)

In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has either fallen significantly below cost price or been below cost price for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Company's long term investment strategy.

For available for sale financial assets, a significant prolonged decline in the fair value indicates an impairment. For available for sale financial assets the impairment loss is the difference between its current fair value and its original cost, less any impairment losses previously recognised in the Statement of Profit and Loss and Other Comprehensive Income.

Impairment losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income immediately.

(g) Fair value reserve

The fair value reserve relates to the changes in the fair value gains or losses on investments classified as available for sale.

(h) Insurance receivables

Insurance receivables are recognised in a manner consistent with the premium income recognition as detailed in the revenue recognition accounting policy (n). 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 Profit and Loss and Other Comprehensive Income.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less at the date of placement.

(j) Insurance contract liabilities

Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the Statement of Financial Position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures, the ultimate cost of which cannot be known with certainty at the Statement of Financial Position date.

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as unearned premium along the duration of the insurance contracts and amortised based on the incidence of risk of the underlying insurance contract. The change in the provision for unearned premium is taken to the Statement of Profit and Loss and Other Comprehensive Income in order that revenue is recognised over the period of risk.

At each Statement of Financial Position date, a liability adequacy test is performed, to ensure the adequacy of insurance liabilities. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any inadequacy is immediately charged to the Statement of Profit and Loss and Other Comprehensive Income by establishing an unexpired risk provision.

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(k) Insurance payables
Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration expected to be payable.

(l) Levies
Levies payable are treated as costs of underwriting business. A liability to pay a levy is recognised at the date of the obligating event, which may be at a point in time or over a period of time.

(m) Accruals and other payables
Trade and other payables are recognised as they fall due. They are initially recognised at fair value and subsequently held at amortised cost.

(n) Revenue recognition

Premium income
Premiums written are net of premium taxes and other levies. These are recognised on policy inception and earned on a pro rata basis or, for risks where a pro rata basis is inappropriate, a basis consistent with the risk profile over the term of the related policy coverage.

Reinsurance commission
A proportionate amount of reinsurance ceded to reinsurers is paid back to the Company as commission for undertaking the business. This commission is accounted for according to the reinsurance contract entered on individual classes of business. Commissions receivable are deferred in the same way as acquisition costs, as described in accounting policy (c).

Investment income
Interest income is recognised in the Statement of Profit and Loss and Other Comprehensive Income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium. Investment income also includes dividends, which are included on the date the shares become quoted ex dividend.

Net realised gains/losses
Realised gains and losses on available for sale financial assets are calculated as the difference between net sales proceeds and the original, amortised or impaired cost. Realised gains and losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income when the sale transaction occurred.

(o) Claims incurred
Claims incurred include all losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

1 ACCOUNTING POLICIES (CONTINUED)

1.4 Summary of significant accounting policies (continued)

(p) Interest payable
Interest payable is recorded in the period in which it is incurred.

(q) Dividends
Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by the Board.

(r) Discontinued operations
A discontinued operation is a component of the business that has been disposed of or is classified as held for sale and that represents a separate major line of business, or is part of a single co-ordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately in the Statement of Profit and Loss and Other Comprehensive Income. It comprises the profit or loss after tax from discontinued operations together with the gain or loss after tax recognised on completed sales.

2 USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The following are the critical judgements, estimations and assumptions that the Directors have made in the process of applying accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Valuation of general insurance contract liabilities
For general insurance contracts, estimates are made for the expected ultimate cost of claims reported as at the Statement of Financial Position date and the cost of claims incurred but not yet reported (“IBNR”) to the Company. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided.

Standard actuarial claims projection techniques, such as the Chain Ladder method are used to estimate the majority of outstanding claims. Claims provisions are analysed separately by line of business, and further, bodily injury provisions are generally analysed separately from damage provisions. In addition, for motor classes, we analyse third party liability damage separately from own damage claims.

Such methods extrapolate the development of paid and incurred claims, recoveries from third parties, average cost per claim and ultimate claim numbers for each accident year, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs. In the case of periodic payment orders (“PPOs”), the annuity type structure of the claim payments mean that these have to be projected over a longer-term period and reserved for on a discounted basis accordingly. Allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is also made in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, taking account of all the uncertainties involved. To the extent that the ultimate cost is different from the estimate, where experience is better or worse than that assumed, the surplus or deficit will be credited or charged to the Statement of Profit and Loss and Other Comprehensive Income in future years.

Significant accounting estimate – Insurance contract liabilities
The estimation of the ultimate liability arising from claims made under insurance contracts is the most critical accounting estimate for the general insurance business. Estimates are made for the expected ultimate cost of claims as at the Statement of Financial Position date and the cost of claims incurred but not yet reported. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided.

2 USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

There are several sources of uncertainty that need to be considered in the estimate of the liability that will ultimately be paid for such claims.

A key area of uncertainty is the high inflation environment in 2022, and allowance has been made in the provisions for the impact of inflation on the ultimate cost of claims.

PPO claims also continue to be a significant uncertainty owing to the annuity-type structure of claim payments i.e. they are typically paid annually over the claimant's life. PPOs have to be projected over a longer-term period and reserved for on a discounted basis accordingly, and are therefore sensitive to the assumed inflation and discount rate. These are deemed as significant assumptions and sensitivity analysis is disclosed in note 26.

Significant judgement applied to estimate
At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. Current year estimates are established and reassessed throughout the year. Claims provisions are not discounted for the time value of money except for claims being settled by PPOs. The high inflation environment in 2022 has been allowed for when setting the provisions. The claims margin held in addition to the actuarial best estimate has been reassessed following developments over 2022. Further details of the claims estimation process are described in note 26.

The carrying value at the Statement of Financial Position date for these general insurance contracts is £1,763.0m (2021: £1,571.9m).

Fair value of financial assets
Fair value is the amount for which an asset could be exchanged, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Company uses assumptions to determine the fair value of financial instruments where one or more of the significant inputs are not based on observable market data. This is the case with financial instruments classified as "level 3":

- Managed Funds

Managed Funds
As no market prices are available, independent third party valuation services are used to derive the Net Asset Value of the funds. Further details concerning the valuation techniques can be found in note 31.

3 DISCONTINUED OPERATIONS

The Commercial lines business represents a separate major line of business that can be clearly distinguished operationally and for financial reporting purposes from the Company. Whilst new business was written by the Company up until September 2018, the principal value of the Commercial broker lines business has been recovered through the sale of the renewal rights on 28 December 2017. Therefore the business meets the criteria to be presented as a discontinued operation which has been sold.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 DISCONTINUED OPERATIONS (CONTINUED)

Financial information relating to the discontinued operation for the years to 31 December 2022 and 2021 are presented below.

	2022 £ m	2021 £ m
Net fair value on financial assets at fair value through income	(0.2)	0.1
Investment income	0.4	0.8
Net insurance claims	0.9	(2.1)
Expenses	(0.1)	(0.1)
Profit/(Loss) before tax	**1.0**	**(1.3)**
Income tax (charge)/credit	(0.2)	0.2
Profit/(Loss) after tax of discontinued operation	**0.8**	**(1.1)**
Net cash inflow/(outflow) from operating activities	1.0	(1.3)
Net increase/(decrease) in cash generated by Commercial broker	**1.0**	**(1.3)**

4 NET INSURANCE REVENUE

	Note	2022 £ m	2021 £ m
(a) Gross written premiums			
Premiums written		1,430.0	1,211.4
Gross change in unearned premium provision	25	(124.9)	(7.4)
Total gross earned premiums		**1,305.1**	**1,204.0**
(b) Reinsurers' share of gross written premiums			
Premiums payable		(612.6)	(755.4)
Reinsurers' share of change in unearned premium provision	25	50.3	239.5
Total reinsurers' share of gross earned premiums		**(562.3)**	**(515.9)**
Total net insurance revenue		**742.8**	**688.1**

The Company did not assume or cede any reinsurance policies during the year resulting in a profit or loss on inception.

5 INVESTMENT INCOME

	2022 £ m	Restated 2021 £ m
Interest income*	23.8	16.7
Total investment income	**23.8**	**16.7**

*Please refer to the restatement in note 1.

6 OTHER INCOME

	2022 £ m	Restated 2021 £ m
Other income*	46.5	40.8
Total other income	**46.5**	**40.8**

Other income primarily comprises of interest receivable from insurance contracts of £34.8m (2021: £31.0m).

*Please refer to the restatement in note 1.

7 FINANCE COSTS

	2022 £ m	Restated 2021 £ m
Impairment of debt instruments	3.0	-
Ceded investment income(1)	2.0	0.5
Loan guarantee fee*	0.5	0.6
Total finance costs	**5.5**	**1.1**

(1)This amount relates to interest payable on the ceded retained reserves under the quota share reinsurance contract.

*Please refer to the restatement in note 1.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 NET REALISED (LOSSES)/GAINS

	2022 £ m	2021 £ m
Realised losses - derivative financial instruments	(0.1)	-
Realised gains - debt securities	0.2	5.7
Realised losses - debt securities	(8.6)	(4.1)
Total net realised (losses)/gains	**(8.5)**	**1.6**

9 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2022 £ m	Restated 2021 £ m
Acquisition costs*	58.2	53.9
Movement in deferred acquisition costs – Gross	(11.0)	(4.2)
Movement in deferred acquisition costs – Reinsurance*	2.4	50.2
Restructuring and integration charges*	22.0	30.8
Administrative expenses*	190.6	113.4
Amortisation of renewal rights*	0.3	0.2
Total other operating and administrative expenses	**262.5**	**244.3**

*Restructuring and integration charges were previously included within Administrative expenses and have now been separately classified. Amortisation of intangibles has now been renamed as amortisation of renewal rights. Please also refer to the restatement in note 1.

10 EMPLOYEE RELATED COSTS

The Company has no employees (2021: none) and as such incurs no employee related costs (2021: £nil). AMS and LVGIG, companies within the Group, provide services and staff resources to the Company as well as to other Group Companies.

11 AUDITORS' REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by LVGIG. Other services supplied pursuant to legislation were £0.1m (2021: £0.1m).

	2022 £ m	2021 £ m
Fees payable to the Company's auditors and its associates	0.6	0.4
Audit-related assurance services	0.1	0.1

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 INCOME TAX

12.1 Income tax recognised in profit and loss

Tax charged/(credited) in the Statement of Profit and Loss and Other Comprehensive Income

	2022 £ m	2021 £ m
Current taxation		
In respect of the current year from continuing operations	(10.0)	16.9
In respect of the current year from discontinued operations	0.2	(0.2)
In respect of prior years	-	(2.4)
	(9.8)	**14.3**
Deferred taxation		
In respect of the current year	0.1	0.1
In respect of prior years	-	0.1
Arising from changes in tax rates and laws	-	0.5
Total deferred taxation	**0.1**	**0.7**
Total income tax (receipt)/expense recognised in the current year	**(9.7)**	**15.0**

The income tax for the year can be reconciled to the accounting (loss)/profit as follows:

	2022 £ m	2021 £ m
Profit before tax from continuing operations	(74.7)	110.4
Loss before tax from discontinued operations	1.0	(1.3)
(Loss)/profit before tax	**(73.7)**	**109.1**
Corporation tax at standard rate	**(14.0)**	**20.7**
Decrease in current tax from adjustment for prior periods	-	(2.3)
Increase from effect of revenues exempt from taxation	-	(1.9)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	6.6	-
Decrease from transfer pricing adjustments	(2.3)	(2.0)
Deferred tax expense relating to changes in tax rates or laws	-	0.5
Total tax (credit)/charge	**(9.7)**	**15.0**

12.2 Income tax recognised in other comprehensive income

	2022 £ m	2021 £ m
Deferred tax	34.7	8.4
Total income tax recognised in other comprehensive income	**34.7**	**8.4**

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 INCOME TAX (CONTINUED)

12.3 Tax paid for cash flow purposes

	2022 £ m	2021 £ m
Current tax liability at 1 January	18.5	24.7
Amounts (credited)/charged to the income statement	(9.7)	15.0
Movements in deferred tax asset in the statement of comprehensive income	(0.1)	(0.7)
Tax paid during the year	(22.8)	(20.5)
Current tax (receivables)/liability at 31 December	**(14.1)**	**18.5**

12.4 Current tax receivables

	2022 £ m	2021 £ m
Current tax (receivables)/liability	**(14.1)**	**18.5**

12.5 Deferred tax balances

	2022 £ m	2021 £ m
Deferred tax assets		
Unrealised losses on bonds	37.5	2.8
Total deferred tax assets	**37.5**	**2.8**
Net deferred tax assets	**37.5**	**2.8**
Deferred tax liabilities		
Total deferred tax liabilities	**-**	**-**
Set-off of deferred tax liabilities pursuant to set-off provisions	(2.3)	(2.1)
Net deferred tax liabilities	**(2.3)**	**(2.1)**

Deferred tax assets in relation to	**Unrealised losses on bonds £ m**	**Total £ m**
At 1 January 2021	(5.6)	(5.6)
(Charged)/credited		
- to other comprehensive income	8.4	8.4
At 31 December 2021	**2.8**	**2.8**
At 1 January 2022	2.8	2.8
(Charged)/credited		
- to other comprehensive income	34.7	34.7
At 31 December 2022	**37.5**	**37.5**

12 INCOME TAX (CONTINUED)

12.5 Deferred tax balances (continued)

Deferred tax liabilities in relation to	Intangible assets £ m	Total £ m
At 1 January 2021	(1.3)	(1.3)
(Charged)/credited		
- to profit or loss	(0.8)	(0.8)
At 31 December 2021	**(2.1)**	**(2.1)**
At 1 January 2022	(2.1)	(2.1)
(Charged)/credited		
- to profit or loss	(0.2)	(0.2)
At 31 December 2022	**(2.3)**	**(2.3)**

	2022 £ m	2021 £ m
Deferred tax asset	37.5	2.8
Deferred tax liability	(2.3)	(2.1)
Non-current deferred tax asset	37.5	2.8
Non-current deferred tax liability	(2.3)	(2.1)

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 was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

13 DIRECTORS' EMOLUMENTS

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Emoluments	5,867,982	3,834,472

In respect of the highest paid director:

	2022 £	2021 £
Emoluments	2,422,866	1,283,589

Emoluments include £84,600 (2021: £373,959) of payments received following the exercise of Restricted Stock Units under the Equity Incentive Scheme of the Company's ultimate parent company, Allianz SE and payments of £217,396 received as Mid-Term Bonus which is a 3 year deferred incentive plan and the cash awarded is subject to a multi-year sustainability assessment.

The emoluments also include £624,500 (2021: £361,167) of payments received during 2022 by the highest paid Director relating to the vesting of Liverpool Victoria General Insurance Group Limited (“LVGIG”) Long Term Incentive Plans ("LTIPs"). That Director also has deferred payments of £130,000 (2021: £364,550) receivable in future years from the vesting of the LTIPs which are not included in the aggregate emoluments figures.

13 DIRECTORS' EMOLUMENTS (CONTINUED)

An individual who was previously a Director of the Company received a compensation for loss of office of £2,237,290. The individual also received a payment of £177,409 following the exercise of Restricted Stock Units relating to a grant in a previous year when they were in office as a Director. The individual also received a payment of £206,612 under the Mid-Term Bonus scheme.

The Directors of the Company are also directors of fellow Allianz Holdings plc Group companies. The emoluments disclosed above were the total emoluments received by the Directors in relation to their Allianz Holdings plc Group directorships. Save for one Director, the Directors' emoluments were paid by AMS, a fellow Allianz Holdings plc subsidiary, on behalf of the Group. One Director's emoluments were paid by LVGIG, a fellow Allianz Holdings plc subsidiary, on behalf of the Group.

14 DIVIDENDS

Interim dividends paid

	2022 £ m	2021 £ m
Interim dividend of £0.03 (2021 - £0.43) per each ordinary share	10.0	164.0

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: £nil).

15 INVESTMENTS IN GROUP UNDERTAKINGS

Subsidiaries	**£ m**
Cost or valuation	
At 1 January 2021	194.6
At 31 December 2021	**194.6**
At 1 January 2022	194.6
Additions	25.0
Impairment	(35.0)
At 31 December 2022	**184.6**
Carrying amount	
At 31 December 2022	**184.6**
At 31 December 2021	**194.6**

On February 22, 2022 the Company made a permanent capital contribution of £25,000,000 to Highway Insurance Group.

15 INVESTMENTS IN GROUP UNDERTAKINGS (CONTINUED)

The recoverable amount (based on value-in-use calculations) of the investments in group undertakings has been determined using cash flow predictions based on financial plans approved by the Company covering a five-year period.

These plans are revisited in Q3 of each year, with reforecasts taking place at earlier intervals where these are felt necessary. All key functions in the business are involved in their development, before review and challenge by the Board. In undertaking the impairment assessment, management has taken account of the competitive market environment, and the fact the plan assumes the market is not disrupted by competitor behaviour. The plan is on a pre-quota share basis in line with Allianz practice.

The plan assumes strong underwriting and investment results. These investment returns were determined in consultation with our inhouse Investment Management team. The forecast cash flows have been discounted at a pre-tax rate of 10.7% and terminal growth rate of 1.9% applied to cash flows from 2026 onwards. Both the terminal growth rate and the discount rate are consistent with the ranges observed in the market place. However, after sensitivity analysis was performed it showed that the base case discounted cash flows are most sensitive to a change in loss ratios, given the current inflationary environment a prudent view was taken into consideration and the loss ratios were increased in the plan which indicated an impairment. Based on the above assumptions and prudent view considered with regard to the loss ratios, the value in use amount gave rise to a £35.0m deficit over the carrying amount and the value of Highway Insurance Group was impaired down to £184.6m. This has been recognised in “Impairment of investment in group undertakings.”

The subsidiary undertakings of the Company at 31 December 2022 are shown below. The registered office for all undertakings is 57 Ladymead, Guildford, Surrey, GU1 1DB.

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
Highway Insurance Group Limited	General insurance holding company	England and Wales	100%	100%
Highway Insurance Company Limited*	General insurance	England and Wales	100%	100%
LV Repair Services Limited	Repair engineering services	England and Wales	100%	100%

*Highway Insurance Company Limited is indirectly held.

16 INTANGIBLE ASSETS

	Renewal rights £ m	Other intangible assets £ m	Total £ m
Cost or valuation			
At 1 January 2021	3.4	15.8	19.2
Additions	0.6	-	0.6
At 31 December 2021	**4.0**	**15.8**	**19.8**
At 1 January 2022	4.0	15.8	19.8
At 31 December 2022	**4.0**	**15.8**	**19.8**
Accumulated Amortisation			
At 1 January 2021	2.3	-	2.3
Charge for year	0.2	-	0.2
At 31 December 2021	**2.5**	**-**	**2.5**
At 1 January 2022	2.5	-	2.5
Charge for year	0.3	-	0.3
At 31 December 2022	**2.8**	**-**	**2.8**
Carrying amount			
At 31 December 2022	**1.2**	**15.8**	**17.0**
At 31 December 2021	**1.5**	**15.8**	**17.3**

The Company has considered whether there are any indications of impairment of the intangible assets at the Statement of Financial Position date. No indications of impairment were identified.

Intangibles with an indefinite useful life are not amortised and are reviewed annually for impairment, by comparing the carrying value to its recoverable amount. The recoverable amount is based on value-in-use calculations. The calculations are based upon discounting expected pre-tax cash flows at a risk-adjusted interest rate appropriate to the assets, the determination of both of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect the Directors view of future performance.

The amortisation charge has been included within other operating and administrative expenses.

17 DEFERRED ACQUISITION COST

	2022 £ m	2021 £ m
Gross		
At 1 January	55.2	51.0
Costs deferred during the year	130.2	110.7
Amortisation charge for the year	(119.2)	(106.5)
At 31 December	**66.2**	**55.2**
Reinsurance		
At 1 January	50.2	-
Costs deferred during the year	90.9	146.6
Amortisation charge for the year	(88.5)	(96.4)
At 31 December	**52.6**	**50.2**
Net		
At 1 January	5.0	51.0
Costs deferred during the year	39.3	(35.9)
Amortisation charge for the year	(30.7)	(10.1)
At 31 December	**13.6**	**5.0**

Acquisition costs comprise the commission and management expenses of acquiring insurance policies written during the year. Acquisition costs which relate to a subsequent financial year are deferred to the extent that they are attributable to premiums unearned at the Statement of Financial Position date.

The movement in the reinsurers' share of deferred acquisition costs, which is associated with reinsurance commission income, is included within Other Operating and Administrative Expenses. Refer to note 9.

In 2021, a new quota share arrangement with Allianz Re was entered into, recognising a funds withheld balance. The new arrangement also resulted in reinsurance deferred acquisition costs for 2021.

18 REINSURANCE ASSETS

	2022 £ m	2021 £ m
Reinsurers’ share of insurance contract liabilities	811.9	608.9
Total reinsurance assets	**811.9**	**608.9**

For the current and non-current split, refer to note 25.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 ACCRUED INCOME AND PREPAYMENTS

	2022 £ m	Restated 2021 £ m
Accrued Interest*	15.6	11.3
Accrued income	11.0	11.8
Prepayments	3.2	2.4
Total accrued income and prepayments	**29.8**	**25.5**

The carrying amount for accrued income disclosed above reasonably approximates to its fair value at year end and is expected to be realised within a year from the Statement of Financial Position date.

*Please refer to the restatement in note 1.

20 FINANCIAL ASSETS

The financial asset investments are summarised by measurement categories as follows:

	2022 £ m	2021 £ m
Available for sale financial assets	1,272.9	1,338.7
Loans to related parties	31.5	47.3
Total financial assets	**1,304.4**	**1,386.0**

20.1 Available for sale financial assets

	2022 £ m	2021 £ m
At fair value		
Managed funds	20.8	113.1
Debt securities	1,252.1	1,225.6
Total available for sale financial assets at fair value	**1,272.9**	**1,338.7**
At cost		
Managed funds	19.5	111.4
Debt securities	1,406.0	1,244.1
Total available for sale financial assets at cost	**1,425.5**	**1,355.5**

20 FINANCIAL ASSETS (CONTINUED)

20.2 Loans

	2022 £ m	2021 £ m
Loans to related parties[1]	31.5	47.3
Total loans	**31.5**	**47.3**

	2022 £ m	2021 £ m
Current loans	15.8	15.8
Non-current loans	15.7	31.5

[1] In December 2020 the Company provided a loan to Liverpool Victoria Insurance Management, another company within the LVGIG Group of £63m. This loan will be repaid over 4 years, up to and including December 31, 2024 and carry interest at the Bank of England base rate +3%. A guarantee from Allianz SE was put into place to support the Company's regulatory solvency position. The principle terms of the guarantee are as follows:

- Guarantee fee: The Company will pay Allianz SE an amount of 0.96% of the amount of the outstanding loan facility per annum and in return, Allianz SE will guarantee that it will pay the outstanding loan balance in the event that LVIM cannot meet obligations as they fall due.
- Automatic extension: The guarantee will extend automatically every year for another year (subject to payment of the guarantee fee by the Company) until December 31, 2024, unless it is cancelled by Allianz SE after giving 3 months prior notice.

21 INSURANCE RECEIVABLES

	2022 £ m	Restated 2021 £ m
Due from policyholders	277.6	180.3
Due from reinsurers[1]*	83.0	70.4
Due from agents, brokers and intermediaries	31.5	30.6
Total insurance receivables	**392.1**	**281.3**

[1] Included in amounts due from reinsurers are balances due from related parties of £83.0m (2021: £70.0m).

*Please refer to the restatement in note 1.

	2022 £ m	2021 £ m
Current insurance receivables	392.1	281.3

The carrying amounts disclosed above reasonably approximate fair values at year end.

22 OTHER RECEIVABLES

	2022	Restated 2021
Current	**£ m**	**£ m**
Receivables from related parties	5.8	2.0
Other receivables*	4.7	37.5
	10.5	**39.5**

Other receivables primarily comprises of a cashpool account operated by Allianz SE.

*Please refer to the restatement in note 1.

The Company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in note 31 "Risk management policies".

23 CASH AND CASH EQUIVALENTS

	2022 £ m	2021 £ m
Cash and cash equivalents	17.4	13.9
Short-term deposits (including demand and time deposits)	30.0	-
	47.4	**13.9**
Bank overdrafts	(13.2)	(1.6)
Total	**34.2**	**12.3**

Short term deposits are benchmarked to Sterling Overnight Index Average and have a weighted average maturity of 27 days. Cash and cash equivalents are subject to an average interest rate of 0.8% (2021: 1.5%) and have an average maturity of 1 day.

24 EQUITY

Share capital - allotted, called up and fully paid

	2022		2021	
	No.	**£**	**No.**	**£**
Ordinary shares of £1 each	384,907,680	384,907,680	384,907,680	384,907,680

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

25 INSURANCE CONTRACT LIABILITIES

	2022 Insurance contract liabilities £ m	2022 Reinsurers' share of liabilities £ m	2022 Net £ m	Restated 2021 Insurance contract liabilities £ m	Restated 2021 Reinsurers' share of liabilities £ m	Restated 2021 Net £ m
Provisions for claims reported by policyholders	1,063.9	(506.3)	557.6	946.6	(323.6)	623.0
Provisions for claims incurred but not reported	(24.2)	(15.5)	(39.7)	26.9	(45.5)	(18.6)
Total claims reported and IBNR	**1,039.7**	**(521.8)**	**517.9**	**973.5**	**(369.1)**	**604.4**
Provision for unearned premiums	723.3	(290.1)	433.2	598.4	(239.8)	358.6
Total general insurance contract liabilities	**1,763.0**	**(811.9)**	**951.1**	**1,571.9**	**(608.9)**	**963.0**
Current general insurance contract liabilities	1,184.4	(489.1)	695.3	938.4	(344.0)	594.4
Non-current general insurance contract liabilities	578.6	(322.8)	255.8	633.5	(264.9)	368.6

The provision for claims reported by policyholders and claims incurred but not yet reported can be analysed as follows:

	2022 Insurance contract liabilities £ m	2022 Reinsurers' share of liabilities £ m	2022 Net £ m	Restated 2021 Insurance contract liabilities £ m	Restated 2021 Reinsurers' share of liabilities £ m	Restated 2021 Net £ m
At 1 January	973.5	(369.1)	604.4	927.3	(273.6)	653.7
Unwind of discount of PPO claim reserves*	1.0	(0.6)	0.4	1.0	(0.5)	0.5
	974.5	**(369.7)**	**604.8**	**928.3**	**(274.1)**	**654.2**
Claims incurred in the current accident year	1,123.9	(474.7)	649.2	804.5	(342.0)	462.5
Movement on claims incurred in prior accident years*	(105.9)	39.9	(66.0)	(38.5)	16.2	(22.3)
Claims paid during the year	(952.8)	282.7	(670.1)	(720.8)	230.8	(490.0)
At 31 December	**1,039.7**	**(521.8)**	**517.9**	**973.5**	**(369.1)**	**604.4**

*There has been a restatement of £1.0m gross (£0.5 net) between the unwind of discount of PPO claims reserves and movement on claims incurred in prior accident years.

25 INSURANCE CONTRACT LIABILITIES (CONTINUED)

The provision for unearned premiums can be analysed as follows:

	2022			2021		
	Insurance contract liabilities £ m	Reinsurers' share of liabilities £ m	Net £ m	Insurance contract liabilities £ m	Reinsurers' share of liabilities £ m	Net £ m
At 1 January	598.4	(239.8)	358.6	591.0	(0.3)	590.7
Premiums written in the year	1,430.0	(612.6)	817.4	1,211.4	(755.4)	456.0
Premiums earned during the year	(1,305.1)	562.3	(742.8)	(1,204.0)	515.9	(688.1)
At 31 December	**723.3**	**(290.1)**	**433.2**	**598.4**	**(239.8)**	**358.6**

26 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES

The major classes of general insurance written by the Company include motor, property and liability. Risks under these policies usually cover a 12-month duration. The Company also writes other specialist lines of business such as legal protection and travel. Risk durations under these policies can vary.

The Company adopts a consistent process in the calculation of an adequate provision for these contracts. The overriding aim is to establish reserves which are expected to be adequate and that there is consistency from year to year. However, there is a risk that, due to unforeseen circumstances, the reserves may be insufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

The claims provision at the reporting date comprises the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. This is estimated based on known facts at the Statement of Financial Position date. The provision is revised quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

Outstanding claims provisions are not discounted for the time value of money, apart from those associated with the settlement of high value personal injury claims by way of PPOs established under the Courts Act 2003. During 2022, no PPOs have expired and one new settlement has been agreed, increasing the total number of outstanding PPOs to 15. Total PPO reserves are £58.2m (2021: £43.2m) gross and £20.0m (2021: £16.7m) net of reinsurance. The corresponding undiscounted amounts are £111.8m (2021: £75.8m) and £38.5m (2021: £30.9m) net of reinsurance.

Case estimates are generally set by skilled claims technicians, applying their experience and knowledge to the circumstances of individual claims, except for certain business where there is sufficient data available to enable the provision to be calculated by the application of statistical techniques. The Ogden discount rate is used to calculate the lump sum costs awarded to claimants by the courts. The current rate is set at -0.25% in England and Wales, and 0.75% in Scotland. The rates will be reviewed by the end of 2024. The Company has very limited exposure to Northern Ireland which is expected to move to a statutory process for setting the Ogden discount rate similar to England and Wales. In March 2022, the personal injury discount rate in Northern Ireland was set to -1.5%. This is subject to further review in July 2024. Ultimate claims costs continue to be calculated using the current Ogden discount rates.

The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available.

The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques, such as the Chain Ladder method. Claims provisions are analysed separately by line of business, and further, bodily injury provisions are generally analysed separately from damage provisions. In addition, for motor classes, we analyse third party liability damage separately from own damage claims.

26 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (CONTINUED)

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in internal claim handling processes,
- changes in the mix of insurance contracts written,
- the impact of large losses and weather events.

Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each class of business. Estimation uncertainties differ by line of business for reasons such as the following:

- differences in the terms and conditions of insurance contracts,
- differences in the complexity of claims,
- the severity of individual claims,
- differences in the period between the occurrence and the reporting of claims.

Large claims are usually addressed separately, either by being reserved at the face value of loss adjuster estimates or being based on the results of statistical modelling of the underlying accounts.

For the main classes of business, the Company purchases excess of loss contracts with sufficiently high retentions for only relatively few large claims to be recoverable. Incurred but not reported provisions for outstanding claims are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. Impairment of the reinsurance asset is considered separately.

Other than the Ogden discount rate as outlined above, the assumptions that have the greatest effect on the movement of provisions are those that affect the expected level of claims. These can come from a number of sources, including, but not limited to:

- claim reporting patterns being different from those expected;
- claims inflation being different from that expected;
- claim handling costs being different from those expected; and
- the emergence of currently unknown latent diseases.

Assumptions on claim reporting patterns are derived in the main from those historically observed, as described above. External claim handling costs are included in the cost of claims, while an assumption on the cost of internal claims handling has been made for each line of business.

Changes in assumptions and claims experience have caused a £108.0m gross decrease in insurance provisions in respect of the prior period, driven by a reduction in Personal Motor, with most of this decrease coming from all three bodily injury layers. This has been partially offset by increases in Household. The net effect of £58.0m decrease is driven by the same drivers. This includes a £20.0m net reduction in the claims margin.

The sensitivity of profit or loss before tax and total equity to changes in the assumptions used to measure insurance provisions and reinsurance assets is measured using various actuarial and statistical techniques. These are based on the Company's historical claim experience, using past volatility as a guide to the future and considering the interaction of the various classes of business and sources of volatility. All sources of volatility are considered together, and the biggest sources of uncertainty are the assumptions concerning the interrelationship between the various lines of business.

26 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (CONTINUED)

Loss development triangles

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at each Statement of Financial Position date, together with cumulative claims as at the current Statement of Financial Position date. In the loss development triangles, the cumulative claims estimates and payments for each accident year are translated into pounds sterling at the exchange rates that applied at the Statement of Financial Position date.

Gross of reinsurance	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Accident year	833.7	827.9	799.1	879.7	847.2	920.0	865.8	710.7	804.5	1,123.9	8,612.5
One year later	791.0	793.2	845.9	834.4	829.5	870.1	845.7	645.6	771.5	-	7,226.9
Two years later	774.5	781.4	831.4	815.0	819.8	869.9	846.1	636.2	-	-	6,374.3
Three years later	758.5	770.1	794.8	801.0	821.8	877.5	837.9	-	-	-	5,661.6
Four years later	768.7	747.0	788.9	797.4	829.6	859.8	-	-	-	-	4,791.4
Five years later	731.0	742.7	778.7	806.0	800.0	-	-	-	-	-	3,858.4
Six years later	725.7	746.0	779.0	801.0	-	-	-	-	-	-	3,051.7
Seven years later	729.6	747.6	769.1	-	-	-	-	-	-	-	2,246.3
Eight years later	728.3	749.3	-	-	-	-	-	-	-	-	1,477.6
Nine years later	731.1	-	-	-	-	-	-	-	-	-	731.1
Current estimate of cumulative claims	731.1	749.3	769.1	801.0	800.0	859.8	837.9	636.2	771.5	1,123.9	8,079.8
Cumulative payments to date	724.1	729.7	763.3	776.5	747.7	787.1	771.1	564.4	599.5	641.9	7,105.3
Reserve in respect of prior years											50.1
Claims handling provision											15.1
Total gross liability as per the Statement of Financial Position	7.0	19.6	5.8	24.5	52.3	72.7	66.8	71.8	172.0	482.0	1,039.7

26 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (CONTINUED)

Net of reinsurance	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Accident year	822.4	817.5	704.8	772.1	640.3	709.2	684.7	559.2	462.5	649.2	6,821.9
One year later	781.6	743.1	782.1	636.1	642.5	680.1	672.5	520.1	446.4	-	5,904.5
Two years later	738.7	731.3	732.5	641.0	638.2	677.7	675.3	597.4	-	-	5,432.1
Three years later	727.7	730.2	705.8	631.0	637.9	684.5	646.6	-	-	-	4,763.7
Four years later	739.9	708.0	698.1	628.1	639.3	650.9	-	-	-	-	4,064.3
Five years later	703.3	700.7	694.0	634.1	609.0	-	-	-	-	-	3,341.1
Six years later	699.3	702.0	694.1	623.6	-	-	-	-	-	-	2,719.0
Seven years later	702.2	702.3	682.6	-	-	-	-	-	-	-	2,087.1
Eight years later	700.9	699.3	-	-	-	-	-	-	-	-	1,400.2
Nine years later	699.5	-	-	-	-	-	-	-	-	-	699.5
Current estimate of cumulative claims	699.5	699.3	682.6	623.6	609.0	650.9	646.6	597.4	446.4	649.2	6,304.5
Cumulative payments to date	695.7	690.0	679.1	614.0	590.3	611.5	608.7	560.6	366.5	400.9	5,817.3
Reserve in respect of prior years											15.6
Claims handling provision											15.1
Total net liability as per the Statement of Financial Position	3.8	9.3	3.5	9.6	18.7	39.4	37.9	36.8	79.9	248.3	517.9

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

27 INSURANCE RELATED PAYABLES

	2022 £ m	Restated 2021 £ m
Arising out of direct insurance operations		
Third parties*	31.0	26.5
Amounts due to policyholders*	20.7	15.0
	51.7	**41.5**
Deposits received from reinsurers		
Amounts due to related parties*	573.5	312.0
	573.5	**312.0**
Arising out of reinsurance operations		
Third parties*	10.4	5.1
	10.4	**5.1**
Total insurance related payables	**635.6**	**358.6**
Current insurance related payables	635.6	358.6

The carrying amounts disclosed above reasonably approximate fair values at year end. The current liabilities are payable within 12 months of the Statement of Financial Position date.

*Please refer to the restatement in note 1.

28 ACCRUALS AND OTHER PAYABLES

	2022 £ m	Restated 2021 £ m
Amounts due to related parties	9.2	14.3
Accrued expenses*	9.9	3.8
Tax payables	38.9	33.3
Other	1.7	3.5
Total accruals and other payables	**59.7**	**54.9**

The carrying amounts disclosed above reasonably approximate fair values at year end. All of the liabilities are payable within 12 months of the Statement of Financial Position date.

*Please refer to the restatement in note 1.

29 OTHER NON-CURRENT FINANCIAL LIABILITIES

	2022 £ m	2021 £ m
FX forward	0.1	-
Total other non-current financial liabilities	**0.1**	**-**

30 BORROWINGS

	2022 £ m	Restated 2021 £ m
Current borrowings		
Bank overdrafts*	13.2	1.6

The Company's exposure to market and liquidity risks, including maturity analysis, relating to borrowings is disclosed in note 31 "Risk management policies".

*Please refer to the restatement in note 1.

31 RISK MANAGEMENT POLICIES

The Company only transacts general insurance business which is wholly written in the UK and the majority of risk exposure is confined within the UK.

Insurance risk

The risk under an insurance contract is the risk that an insured event will occur, including the adequacy of the price charged for the risk and uncertainty as to the amount and time of any resulting claim. The principal risk that the Company faces under such contracts is that the actual claims will exceed the carrying value of insurance contract liabilities. This is influenced by the frequency of claims, severity of claims, weather events and other factors dependent upon the type of the insurance contract. By the nature of an insurance contract, insurance risk is random and unpredictable. Therefore the actual claims costs may exceed the estimated insurance contract liabilities.

Risk exposure is improved by diversification across a large portfolio of similar insurance contracts, as a more diversified portfolio is less likely to be affected by specific events. Exposure is also improved by careful selection and implementation of underwriting strategies, strict claim review policies to assess all new and ongoing claims, as well as the careful investigation of possible fraudulent claims.

The price charged by the Company for an insurance contract is generally determined using actuarial techniques which take into account past experience, anticipated loss ratios, claims frequency, expected claims inflation, reinsurance costs and other relevant influences such as the Company's required return on capital. For some products where the market is highly competitive and the rate determined by the application of actuarial techniques will not necessarily be obtainable. In these circumstances the Company seeks to minimise the impact of uneconomic rates by strictly controlling the amount of business it writes in these segments and by seeking profitable niches within the segment. The Company has and will withdraw from segments of the market which do not offer the prospect of an acceptable return on capital over the medium term.

The Company uses both proportional and non-proportional reinsurance protection to limit its maximum exposure to individual loss events and to catastrophic events such as weather related claims. Maximum exposure for each line of business is limited according to risk appetite, capital requirements and the return on capital.

31 RISK MANAGEMENT POLICIES (CONTINUED)

The Company uses its risk data to populate proprietary models to determine the maximum reinsurance protection it should purchase to protect its capital base from major catastrophe losses.

Based upon the modelling work undertaken, the Company buys reinsurance protection for a 1-in-250-year single event. In order to protect its risk capital from extreme events the Company also purchases catastrophe reinsurance for a modelled 1-in-500-year loss event.

The Company places proportional reinsurance cover with the ultimate parent Company's reinsurance Company, in order to reduce the capital requirements and improve the solvency position under the Solvency II Regime.

The purpose of these underwriting and reinsurance strategies is to limit exposure to a series of unconnected events and catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by the board.

As detailed below under financial risk policies (b) Credit risk, reinsurance placement is limited to a small number of highly regarded reinsurers in order to ensure as far as possible that reinsurance claims are met in full.

The Company has issued the following types of general insurance contract: motor, household, liability and some other contracts. The following table sets out the concentration of insurance risk by contract type:

	Gross 2022 £ m	2022 Reinsurers' Share 2022 £ m	Net £ m	Gross 2021 £ m	2021 Reinsurers' Share 2021 £ m	Net £ m
Claims liabilities						
Motor	866.7	(443.3)	423.4	853.3	(330.0)	523.3
Household	151.1	(69.0)	82.1	94.5	(32.5)	62.0
Liability	18.3	(8.0)	10.3	23.7	(5.9)	17.8
Other	3.6	(1.5)	2.1	2.0	(0.7)	1.3
Total	**1,039.7**	**(521.8)**	**517.9**	**973.5**	**(369.1)**	**604.4**

Note 26 sets out the development of the estimate of ultimate claims cost for claims notified in a given year. This gives an indication of the historical accuracy of the Company's estimation techniques for claims payments.

Financial risk

The Company is exposed to financial risk through its financial assets, including investments, reinsurance assets, insurance receivables and cash and cash equivalents held primarily to meet obligations under insurance contract liabilities. The key financial risk is that proceeds from the realisation of assets are insufficient to meet obligations under insurance contracts. The most important aspects of financial risk comprise market risk, credit risk and liquidity risk.

31.1 Market risk

Market risk is the risk that changes in market prices will affect the value of the Company's assets and income. The Company's liabilities have very limited exposure to these movements. The Company is exposed to market risk on all of its investment in group undertakings, available for sale financial assets and receivables.

The Company manages market risk in a conservative manner. The carrying value of the investment in group undertakings is subject to an annual impairment review, where the subsidiaries are monitored individually. Whilst it seeks to maximise returns it does so in accordance with its risk appetite and in a manner which does not pose undue risk to either its underwriting activities or shareholders' funds. A substantial part of the Company's financial assets are invested in available for sale fixed interest securities. These are quoted on a recognised stock exchange and are readily tradable.

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.1 Market risk (continued)

i) Interest rate risk

A substantial part of the Company's available for sale financial assets are invested in financial fixed interest securities. Interest rate risk is the risk that interest rates will change, adversely affecting the market value of the fixed interest portfolio and consequently the value of the assets that the Company has available to meet insurance contract liabilities. None of the Company's general insurance contracts include benefits which involve contractual interest payments.

Interest rate risk is managed by matching the duration of the fixed interest and cash and cash equivalents portfolios against the average duration of the insurance contract liabilities. At December 31, 2022 the average duration of the fixed interest and cash and cash equivalent portfolios was 4.0 years (2021: 3.6 years) compared with the average duration of the insurance contract liabilities which is estimated to be 2.2 years (2021: 3.2 years).

ii) Inflation risk

Inflation risk is the risk that changes in inflation expectation will adversely affect the Company's net asset value. The Company's insurance contract liabilities are subject to changes in inflation, in particular PPO liabilities. The risk is managed by broadly matching the asset inflation sensitivity to the inflation sensitivity of the liabilities.

Impacts from COVID-19, Brexit and the Russia/Ukraine conflict such as supply chain disruption are driving a heightened level of inflation risk. This has led to inflationary pressure on property and motor damage claims through materials, parts and labour, and also injury and liability claims through delays in treatment for example. Inflationary trends are being monitored closely and are considered as part of the estimation of the ultimate cost of claims.

iii) Equity risk

Equity risk is the risk that the market price of managed funds will fall in value as a result of adverse stock market movements. The Company does not currently hold any traded equity holdings.

iv) Credit spread risk

Credit spread risk is the risk of changes in the Company's net asset value from movements in credit spreads, there is no offsetting between assets and liabilities as liabilities are not subject to credit spread risk. Hence this risk is managed in a similar way to credit risk, through applying a comprehensive series of limits determined after taking into account publicly available credit ratings.

v) Currency risk

The Company had minimal exposure to currency risk during 2022. It should be noted that an immaterial material of currency risk is present within the Highway Insurance Company subsidiary.

vi) Sensitivity to market risk

The table below shows the sensitivity of the Company's profit or loss before tax and equity to changes in market risk factors.

	2022		**Restated 2021**	
	Profit/(loss) £ m	**Equity £ m**	**Profit/(loss) £ m**	**Equity £ m**
Interest rate risk				
+100 basis points shift in yield curves	-	(44.4)	-	(55.8)
-100 basis points shift in yield curves*	-	48.0	-	60.4

*The 2021 comparatives have been restated to reflect the change in the sensitivities above.

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.1 Market risk (continued)

The effects of the specified changes in factors are determined using statistical models, as relevant. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors.

The following table provides an analysis of the sensitivity of profit or loss before tax and total equity to changes in the assumptions used to measure general insurance contract provisions and reinsurance assets at the reporting date. The effect is shown before and after reinsurance.

2022	Profit/(loss) Gross £ m	Net £ m	Equity Gross £ m	Net £ m
Expense ratio				
1% increase in current year	(13.1)	(12.4)	(10.6)	(10.0)
1% decrease in current year	13.1	12.4	10.6	10.0
Loss ratio				
1% increase in current year	(11.1)	(6.4)	(11.1)	(6.4)
1% increase in all of the last 3 years	(25.2)	(16.8)	(25.2)	(16.8)
1% decrease in current year	11.1	6.4	11.1	6.4
1% decrease in all of the last 3 years	25.2	16.8	25.2	16.8

2021	Profit/(loss) Gross £ m	Net £ m	Equity Gross £ m	Net £ m
Expense ratio				
1% increase in current year	(12.0)	(11.5)	(9.8)	(9.3)
1% decrease in current year	12.0	11.5	9.8	9.3
Loss ratio				
1% increase in current year	(7.8)	(4.5)	(7.8)	(4.5)
1% increase in all of the last 3 years	(22.6)	(16.3)	(22.6)	(16.3)
1% decrease in current year	7.8	4.5	7.8	4.5
1% decrease in all of the last 3 years	22.6	16.3	22.6	16.3

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.2 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its available for sale financial assets, cash and cash equivalents, reinsurance assets, loans to related parties, insurance receivables and trade and other receivables.

The Company manages credit risk for financial assets (other than the amounts invested in government securities) and cash and cash equivalents by limiting the amount of exposure to individual counterparties. This is achieved through applying a comprehensive series of limits determined after taking into account publicly available credit ratings and such other information considered relevant. These limits restrict, dependent upon credit rating, the amount of financial assets exposed to each counterparty or where the counterparty is a member of a group the exposure to the group. The broad strategy is to limit the credit risk to tolerable levels whilst at the same time taking limited and controlled advantage of the additional returns which are available for additional risk.

The Company deems the risk associated with its cash and cash equivalents to be low as the cash balances are held with financial institutions with A credit ratings and are immediately available. The Company deems the risk associated with its other receivables to be low. Despite the majority of the insurance receivables balance being unrated, the Company deems the associated risk to be low because these amounts are due from policyholders and are due within one year. The Company is also exposed to credit risk through its loan to a fellow member of the LVGIG group, Liverpool Victoria Insurance Management. Details relating to the repayment of this loan is contained in note 20. The Company deems the credit risk associated with the loan to be low.

Reinsurance is used to manage insurance risk. Reinsurance does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason the Company remains liable for the payment to the policyholder. In view of the potential long term exposure from insurance risks reinsurance security is limited to a small number of highly regarded reinsurers that offer the best long term security. Reinsurance is only placed with companies that meet the Company's strict security criteria. Where there is a significant or potentially significant exposure to an individual captive, additional measures which ensure the captives funds are diversified and prioritised for the payment of the insured liabilities are in place. The largest counterparty risk at 31 December 2022 was £697.4m (2021: £434.6m).

Insurance receivables are closely monitored via the credit control process. For amounts due from brokers, credit terms are applied which are determined by a range of factors including the type of business, size of account and financial standing. For policyholders, credit is managed so that the amount due is matched to the unexpired risk.

Where amounts fall outside credit terms a full range of credit control procedures are applied. Where these are not successful, the debt is impaired.

The following table provides information regarding the credit risk exposure of the Company at 31 December, by classifying assets according to the credit ratings of counterparties

2022	AAA	AA	A	BBB	BB	B	CCC	C	Others not rated	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Reinsurance assets	-	773.3	38.6	-	-	-	-	-	-	811.9
Available for sale financial assets	458.0	266.9	186.5	334.0	16.1	8.0	0.1	1.0	2.3	1,272.9
Loans	-	-	-	-	-	-	-	-	31.5	31.5
Insurance receivables[(1)]	-	83.0	-	-	-	-	-	-	309.1	392.1
Cash and cash equivalents	30.0	-	17.4	-	-	-	-	-	-	47.4
Total £m	488.0	1,123.2	242.5	334.0	16.1	8.0	0.1	1.0	342.9	2,555.8
Percent	19.1	43.9	9.5	13.1	0.6	0.3	0.0	0.0	13.4	100.0

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.2 Credit risk (continued)
Restated

2021	AAA	AA	A	BBB	BB	B	CCC	C	Others not rated	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Reinsurance assets	-	566.8	41.7	-	-	0.2	-	-	0.2	608.9
Available for sale financial assets	426.5	383.4	183.6	343.8	-	-	-	-	1.4	1,338.7
Loans	-	-	-	-	-	-	-	-	47.3	47.3
Insurance receivables[1]	-	70.0	0.4	-	-	-	-	-	210.9	281.3
Cash and cash equivalents	-	-	13.9	-	-	-	-	-	-	13.9
Total £m	426.5	1,020.2	239.6	343.8	-	0.2	-	-	259.8	2,290.1
Percent	18.6	44.5	10.5	15.0	-	0.0	-	-	11.3	100.0

*The above table has been restated for 2021 to reflect the changes in the credit rating categories and the reclassifications in insurance receivables.

(1) Included in the not rated balance is £274.8m (2021: £177.2m) due from policyholders under premium instalment plans. Much of the remaining not rated balance relates to debts from intermediaries, most of whom are regional and provincial brokers who whilst not independently rated are regulated by the FCA.

The following table provides information on the carrying value of reinsurance assets and insurance receivables:

	2022 Reinsurance assets	2022 Insurance receivables	2021 Reinsurance assets	2021 Insurance receivables
	£ m	**£ m**	**£ m**	**£ m**
Neither past due or impaired	811.9	389.4	608.9	280.0
Past due but not impaired	-	2.3	-	1.1
Individually impaired	-	0.4	-	0.2
Total	**811.9**	**392.1**	**608.9**	**281.3**

The Company has insurance receivables that are past due date but not impaired. The Company believes that impairment of these assets is not appropriate as the amounts due will be collected through normal credit control procedures. An age analysis of these balances is presented below:

2022	< 31 days £ m	31 - 60 days £ m	61 - 90 days £ m	> 90 days £ m	Total £ m
Policyholders	0.9	0.2	0.2	0.1	1.4
Brokers	0.3	-	0.4	0.2	0.9
Total	**1.2**	**0.2**	**0.6**	**0.3**	**2.3**

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.2 Credit risk (continued)

2021	<31 days £ m	31 - 60 days £ m	61 - 90 days £ m	> 90 days £ m	Total £ m
Policyholders	0.6	-	0.1	0.1	0.8
Brokers	0.2	0.1	-	-	0.3
Total	**0.8**	**0.1**	**0.1**	**0.1**	**1.1**

Fair value hierarchy

The following table shows a three-level fair value hierarchy for financial assets depending on the inputs used to determine fair value. The fair value hierarchy has the following levels:

Level 1: quoted prices in active markets for identical assets.

Level 2: valuation technique which uses the current prices in an active market of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

Level 3: if one or more of the significant inputs is not based on observable market data.

Fair value as of 31 December 2022

	Level 1 £ m	Level 2 £ m	Level 3 £ m	Total £ m
Government and government agency bonds [(1)]	147.4	189.4	-	336.8
Corporate bonds [(1)]	3.4	911.9	-	915.3
Managed funds	-	-	20.8	20.8
	150.8	**1,101.3**	**20.8**	**1,272.9**

Fair value as of 31 December 2021

	Level 1 £ m	Level 2 £ m	Level 3 £ m	Total £ m
Government and government agency bonds [(1)]	176.8	134.9	-	311.7
Corporate bonds [(1)]	-	913.9	-	913.9
Managed funds	-	107.8	5.3	113.1
	176.8	**1,156.6**	**5.3**	**1,338.7**

[(1)] Included within debt securities as available for sale financial assets are government and government agency bonds and corporate bonds. These have been shown separately within the fair value hierarchy table in order to appropriately disclose the level and valuation assumptions.

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.2 Credit risk (continued)

Fair value hierarchy (continued)

Level 3 fair value measurements 2022

	Opening balance £ m	(Disposals)/ Additions £ m	Unrealised (losses)/gains £ m	Purchases £ m	Closing balance £ m
Managed Funds	5.3	-	1.3	14.2	20.8
	5.3	**-**	**1.3**	**14.2**	**20.8**

Level 3 fair value measurements 2021

	Opening balance £ m	(Disposals)/ Additions £ m	Unrealised (losses)/gains £ m	Purchases £ m	Closing balance £ m
Managed Funds	-	-	-	5.3	5.3
	-	**-**	**-**	**5.3**	**5.3**

Managed finds
Valuation technique:

(1) The valuation conducted by the General Partner (Allianz Debt Fund S.à r.l.) is used to derive the Net Asset Value "NAV" of the fund.
To ensure the appropriateness of the valuation, several steps are conducted during 1) the initial Due Diligence phase of onboarding as well as 2) an ongoing validation of target fund valuation statements. Both may require involvement of additional functions (e.g. Risk and Compliance), if deemed necessary. In some cases, the Group Valuation Committee may also be involved as a discussion or governance body.

The due diligence included but was not limited to the following activities during the initial onboarding phase as well as ongoing monitoring:
Initial assessment of the applicable valuation procedures during fund due diligence
a. Assess whether the investment fund qualifies as an Alternative Investment Fund.
b. Assess whether a NAV of the fund exists and is updated on an appropriate frequency.
c. Assess the equivalence of the valuation policies and procedures applied by the General Partner.
d. Assess whether a proper benchmark for ongoing target fund valuation validation exists.

Ongoing review of the General Partner's valuation policies and procedures
a. Monitor the valuation policies and procedures applied by the General Partner.
b. Monitor the audit reports and valuation practice of the General Partner and the fund.

(2) The fund manager has engaged Lincoln International ("Lincoln") to perform an independent quarterly valuation of the fund. Lincoln applies two methods (synthetic rating analysis and re-underwriting analysis) to establish the rate of return a market participant would require (the "discount rate") as of the valuation date, given market conditions, prevailing lending standards and the perceived credit quality of the issuer. Future expected cash flows for each investment are discounted back to present value using these discount rates in the discounted cash flow analysis. The valuations are typically provided as a range, with the fund managers Pricing and AIFMD Committee overseeing the selection of which point is used within the range.

(3) The valuation is provided quarterly (in arrears) by the Allianz Global Investors Model valuation team using an internal C++ based pricing engine, based on a discounted cash flow model.

The Company has no intention of disposing any of these assets.

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.3 Liquidity risk

Liquidity risk is the risk that funds might not be available to settle obligations when they fall due. The Company is exposed to liquidity risk through its deferred tax liability, insurance contract liabilities, trade and other payables and accruals and other payables. The Company considers the liquidity risk associated with the deferred tax liability to be immaterial as this is almost entirely offset by a deferred tax asset and the Company has sufficient liquid assets to meet the remaining obligation as it falls due. In regards to liquidity risk associated with the accruals and other payables, the Company has sufficient liquid assets to settle these amounts as they fall due.

The Company is exposed to calls on its available resources mainly from claims arising on insurance contracts. The investment strategy is to maintain sufficient levels of cash and cash equivalents to meet all the immediately foreseeable demand. The market value of the Company's available for sale financial assets and loans at 31 December 2022 amounted to £1,304.4m (2021: £1,386.0m). In 2022, the cash pool of £0.1m (2021: £30.4m) plus cash and cash equivalents of £47.4m (2021: £13.9m) totalled £47.5m (2021: £44.3m). Nearly all of these are readily realisable. As a result the Company's exposure to potential liquidity risk is extremely low and in the risk capital model used by the Company no capital is allocated to this risk.

The following tables show information about the estimated timing of the net cash flows from the Company's financial assets and liabilities. The analysis provided is by estimating timings of the amounts recognised in the Statement of Financial Position.

2022 Non-derivative assets	Carrying amount £ m	Less than 1 year £ m	1-2 years £ m	2-5 years £ m	5-10 years £ m	More than 10 years £ m
Available for sale financial assets	1,272.9	90.1	160.6	542.6	389.1	90.5
Cash and short-term deposits	47.4	47.4	-	-	-	-

2022 Non-derivative liabilities	Carrying amount £ m	Less than 1 year £ m	1-2 years £ m	2-5 years £ m	5-10 years £ m	More than 10 years £ m
Insurance contract liabilities	1,039.7	461.1	135.9	241.8	132.3	68.6

Restated 2021 Non-derivative assets	Carrying amount £ m	Less than 1 year £ m	1-2 years £ m	2-5 years £ m	5-10 years £ m	More than 10 years £ m
Available for sale financial assets*	1,338.7	108.3	126.8	475.9	468.4	159.3
Cash and short-term deposits	13.9	13.9	-	-	-	-

31 RISK MANAGEMENT POLICIES (CONTINUED)

31.3 Liquidity risk (continued)

Restated 2021 Non-derivative liabilities	Carrying amount £ m	Less than 1 year £ m	1-2 years £ m	2-5 years £ m	5-10 years £ m	More than 10 years £ m
Insurance contract liabilities*	973.5	340.0	171.1	285.4	119.9	57.0

*The 2021 comparatives above have been restated to reflect the revised periods in the liquidity risk disclosure.

Reinsurers' share of deferred acquisition costs and Insurance related payables are all payable within 12 months of the Statement of Financial Position date

31.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk.

Compliance with Company standards is supported by a programme of periodic reviews.

Capital management

The Company maintains sufficient capital to protect policyholders' and creditors' interests and satisfy regulators whilst creating shareholder value.

The level of capital required by the Company is determined by its risk appetite, approved by the Board. Under the Solvency II regime adopted by the PRA, there are two separate capital requirements; the Minimum Capital Requirement ('MCR') and the Solvency Capital Requirement ('SCR'). The SCR can be calculated using a Standard Formula, as specified in the regulatory text, or an Internal Model, which is unique to each firm and must be approved by the firm's local regulator. The Company used the Standard Formula to calculate its capital requirements throughout 2022. Capital held to back the SCR is of high quality and clearly meets the tests for the composition of capital laid down by the Solvency II Directive.

The Company is regulated in respect of prudential requirements (including capitalisation) by the PRA. The Company aims to hold capital sufficient to satisfy regulatory and shareholder requirements even after the occurrence of pre-specified financial market and insurance shocks. This risk appetite provides for a buffer above the SCR to ensure that the company is adequately capitalised in most expected circumstances.

The Company's capital comprises total shareholders' equity and amounts to £389.0m (2021: £567.2m).

The Company has complied with all externally and internally imposed capital requirements throughout the year. At 31 December 2022 the own funds amount to £446.6m with a surplus of 123.2% on SCR (2021: own funds equal to £559.4m with a surplus of 161.1% on SCR).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

32 PARENT AND ULTIMATE PARENT UNDERTAKING

The company's immediate parent is Liverpool Victoria General Insurance Group Limited, a company registered in the UK.

The ultimate parent Allianz Societas Europaea ("Allianz SE") is incorporated in Germany and is the parent of the largest and smallest group of undertakings for which Allianz SE Group financial statements are drawn up and of which the Company is a member.

The most senior parent entity producing publicly available financial statements is Allianz SE. These financial statements are available upon request from their registered office address of Allianz SE, Königinstrasse 28, 80802 München, Germany.

33 CONTINGENCIES AND COMMITMENTS

Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a significant effect on its results and financial position.

Contingent liabilities

The Company has identified a misstatement relating to underpayment of historic levies. This misstatement has been communicated to the relevant body but the amount, if any, to be settled is unknown and has not been disclosed as it is impractical to do so.

34 RELATED PARTY TRANSACTIONS

34.1 Transactions with and balances from or to related parties

The Company enters into transactions with fellow group undertakings and key management personnel in the normal course of business. Details of transactions carried out during the year with related parties are as follows;

	2022 £ m	2021 £ m
Cost of repairs from Liverpool Victoria Repair Services Limited	218.6	135.9
Dividend from Liverpool Victoria Repair Services Limited	-	10.0
Management charge to the Company from Liverpool Victoria General Insurance Group Limited	275.2	246.5
Dividend to Liverpool Victoria General Insurance Group Limited	(10.0)	(164.0)
Capital injection to Highway Insurance Group Limited	(25.0)	-
Management charge to the Company from Liverpool Victoria Insurance Management Limited	12.1	14.7
Cost of services from Liverpool Victoria Assistance Services Limited	5.7	3.8

34 RELATED PARTY TRANSACTIONS (CONTINUED)

34.1 Transactions with and balances from or to related parties (continued)
Year-end balances arising from transactions carried out with related parties are as follows:

	2022 £ m	2021 £ m
Due (to)/from related parties at 31 December		
LVGIG group undertakings	(9.2)	(14.3)
LV Insurance Management Limited	-	2.0
Fairmead Insurance Limited	5.8	-
Total	**(3.4)**	**(12.3)**

	2022 £ m	2021 £ m
Due to related parties at 31 December		
Allianz Group	(500.9)	(274.7)

Since 2016, the Company placed a quota share treaty with the ultimate parent Company's reinsurance Company, in order to reduce the capital requirements and improve the solvency position under the Solvency II Regime.

Management services were bought from Group companies ("LVGIG") and ("LVIM"). The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given by the Company. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The Company considers its key management personnel to be the Directors only. The Company incurred £1.1m (2021: £0.8m) in respect of the services of key management personnel provided by a separate management entity within the LVGIG Group. Further information is disclosed in note 13.

	2022 £ m	2021 £ m
Loan to related parties at 31 December		
Other related parties	31.5	47.3
Total	**31.5**	**47.3**

Amounts repayable by related party, LVIM, are detailed in note 20.

34.2 Investment in subsidiaries
No restrictions are placed on subsidiaries to transfer funds to the parent company in the form of cash dividends.

No guarantees or collateral were provided to subsidiaries. The Company is not liable for any contingent liabilities arising on the side of the subsidiaries and will not settle any liabilities on behalf of them.

35 SUBSEQUENT EVENTS

On 9 March 2023, a capital injection of £60.0m was approved to be paid from LVGIG to strengthen the solvency ratio of the Company.