FAIRMEAD INSURANCE LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

30 SEPTEMBER 2023

CONTENTS

SUMMARY

THIS DOCUMENT

This is the Solvency and Financial Condition Report ('SFCR') for Fairmead Insurance Limited ('the Company'). Solvency II, effective from 1 January 2016, is a harmonised EU wide insurance regulatory regime that aims to improve customer protection and modernise supervision of insurance companies by their local regulators. Following the end of the Brexit transition period on 31 December 2020 the Prudential Regulatory Authority ('PRA') continues to apply the Solvency II framework in the United Kingdom ('UK') including requiring the mandatory publication of an SFCR.

In the prior year the Directors changed the accounting reference date of the Company from 31 December 2022 to 30 September 2022, shortening that financial period to nine months. The current year period is for the twelve months from 1 October 2022 to 30 September 2023. Income or expense related items are presented for the twelve-month period ended 30 September 2023 whereas the comparative is for the nine-month period ended 30 September 2022. Own funds, capital requirements and related items are presented as at 30 September 2023 with the comparative being as at 30 September 2022.

WHO WE ARE

The Company is a general insurance company authorised in the UK, whose ultimate controlling party is Allianz Societas Europaea ('Allianz SE'). Allianz SE and its subsidiaries are referred to as the 'Allianz SE Group' in this report.

WHAT WE DO

The principal activity of the Company is the transaction of general insurance business. However, all lines of business are now in run off. Business underwritten relates to household as well as short term income protection and pet insurance.

Household insurance provided cover in respect of householders' homes, investment properties, contents, personal belongings, and incidental liabilities which our customers may incur as a property owner, occupier or individual. Short-term income protection enabled our customers to continue meeting some of their financial obligations if they are unable to work as a result of accident, sickness or unemployment. Pet insurance provided cover in respect of veterinary expenses incurred treating customers' pets as well as any incidental liabilities which pet owners may incur because of damage or injury caused by their pets. A death benefit was also provided.

Gross Written Premium ('GWP') for the year was £81.7m (2022: £100.1m), a 18% decrease and representing the final household policies underwritten via a contract with a Managing General Agent ('MGA') up until 31 March 2023. All business lines are now in run off.

OUR BUSINESS

The Company was acquired by Allianz Holdings plc ('AZH') on 31 December 2019, and ownership was subsequently transferred to a subsidiary of Allianz Holdings plc, Liverpool Victoria General Insurance Group Limited ('LVGIG') in 2020. The Company is part of the wider Allianz Holdings plc group ('Allianz UK') of companies, whose ultimate parent company is Allianz SE. The Company is a private limited company authorised in the UK by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA.

The Company has now completed its plans for the migration of all lines of business which are now in run off. It has also completed the integration of its business operations into Allianz UK. The archiving and decommissioning of systems in the transition away from the Company's platforms provided by its former parent company Legal & General Assurance Society Limited ('Legal & General') through an outsourcing arrangement was completed in November 2022.

The Directors' intention is to close the Company and have no intention to re-commence underwriting any new business. To the extent that any associated wind down costs exceed the costs already allowed for by the Company, these will be borne by other Allianz UK companies.

The Company's key performance measures are presented below. The 2023 underwriting result is for the year ended 30 September 2023 and is presented in detail in section A2. The comparative period is for the nine months ended 30 September 2022.

Performance Measures (£m)	2023	2022
Underwriting loss	(1)	(16)
Solvency II Eligible Own Funds	35	68
Solvency II Regulatory Surplus	23	32
Solvency II coverage ratio[1]	306%	187%

The underwriting loss of £1m is significantly lower than £16m in 2022 as the business is in run-off and there are reduced expenses as a result.

Net earned premiums decreased from £45.1m to £4.8m reflecting the run-off of the business; the ongoing MGA book of business was subject to a 100% quota share arrangement.

Claims experience was adverse in 2023 with a net incurred loss ratio of 192% compared to 62% in 2022. The current year loss ratio has been impacted by adverse subsidence experience and increased inflation leading to prior year reserve strengthening as well as adverse experience arising from a freeze event in December 2022. The 2022 result was also affected by subsidence experience and increased inflation but to a lesser extent than 2023.

Net commission and expense incurred ratios improved 2023 to 66% (2022: 77%) as a result of the Company now being in run off. This has further been enhanced by a reduction in the net unexpired risk reserve ('URR') provision of £8m (2022: £1m decrease).

Further details on our business and performance are discussed in section A, Business and Performance.

The Solvency II coverage ratio is the eligible own funds divided by the Solvency Capital Requirement ('SCR').

Changes in the solvency ratio are due to changes in eligible own funds (detailed below and further in section D) and changes in the SCR shown in section E.

ANALYSIS OF CHANGE IN OWN FUNDS

Solvency II Available Own Funds have reduced by £29m over the year. A payment of an interim dividend of £30m was made during the financial period ended 30 September 2023.

The reduction in Solvency II Available Own Funds is greater than the reduction in net assets on a UK GAAP basis. This was due to an allowance for future ceded investment income being incorporated on a Solvency II basis.

Solvency II Eligible Own Funds reduced by £33m. The restriction on the eligibility of the deferred tax asset (tier 3 capital) to 15% of the SCR has had a greater impact than in the prior year. This is due to the significant reduction in the size of the SCR whilst the deferred tax asset reduced only slightly to £7m (2022: £8m).

[1] The Solvency II coverage ratio is on a standard formula basis.

Further details on our business and performance are discussed in section A, Business and Performance and Section D, Valuation for Solvency Purposes.

OUR GOVERNANCE

The Board of the Company (the 'Board') is accountable for setting the Company's strategic objectives, monitoring performance against those objectives and directly overseeing the business activities undertaken by the Company, whilst operating within the framework and overall strategy defined by the board of Allianz Holdings plc. The role of management is to deliver the strategy within the framework and standards set by the Board.

RISK MANAGEMENT FRAMEWORK

We deploy a 'three lines of defence' risk governance model, whereby business areas are responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with our risk policies; the risk function provides objective challenge and guidance on risk matters and the compliance function provides compliance guidance and challenge; with internal audit providing independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

Our risk identification and assessment process forms part of our broader ORSA process, our ongoing assessment of the risks to which the Company is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Company's plan.

Further details on our systems of governance are discussed in section B, Systems of Governance.

OUR RISK PROFILE

We are exposed to the following material risks:

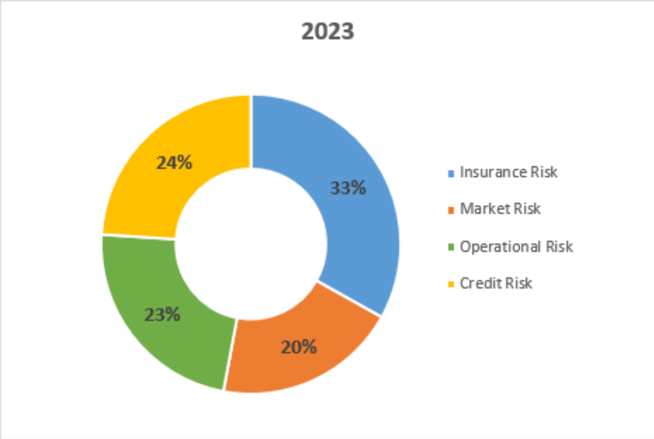
- weather-related catastrophe risks on our household insurance business;
- insurance risks arising from the volatility of claims relative to premiums charged;
- credit counterparty risk from our reinsurance programme;
- investment risks, from holding portfolios of assets to meet our obligations to our customers and to deliver returns to shareholders; and
- operational risks, in respect of our business processes and IT systems, as well as broader regulatory and legislative risks that can arise in the environments in which we operate.

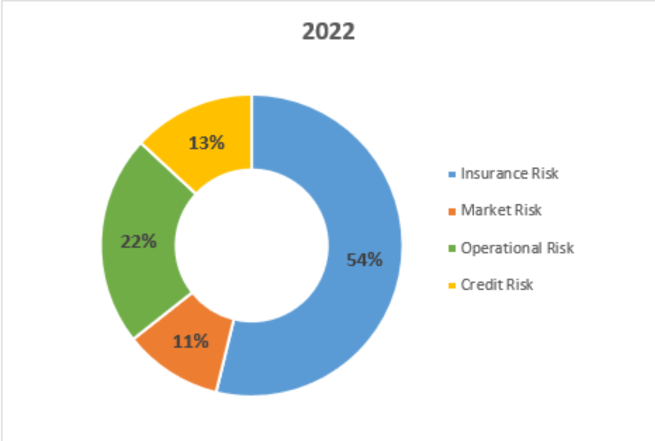
OUR CAPITAL MODEL

We assess on an ongoing basis the capital that we need to hold above our liabilities to meet the Company's strategic objectives and ensure continued solvency.

Our regulatory SCR is based on the Standard Formula. The Standard Formula is calibrated to a point stress 1-in-200-year event, equivalent to a 99.5% value at risk confidence level over one year. In terms of capital requirement, as business runs off insurance risk reduces and becomes a smaller portion of the overall SCR.

Our Solvency II capital requirement by major risk category is shown in the chart below. These figures are post diversification between risk categories:





Further details on our risk profile, changes over the 12 months to 30 September 2023, and sensitivity tests are discussed in section C, Risk Profile.

OUR VALUATION FOR SOLVENCY PURPOSES

Assets, technical provisions and other liabilities are valued on the Company's Solvency II balance sheet according to Solvency II requirements. The principle that underlies the valuation methodology for Solvency II purposes is the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

Technical provisions are calculated as the sum of Best Estimate Liabilities ('BEL') and Risk Margin ('RM'). The gross BEL represents our best estimate of future cash flows on the in-force business as at 30 September 2023, and also on policies which have been written but not incepted at that date, taking into account the time value of money. It is calculated without any deductions for the amounts recoverable from reinsurance contracts. The Company does not use the transitional measures under Solvency II.

As at 30 September 2023, the Company's excess of assets over liabilities was £40m (2022: £71m) on a Solvency II basis, which is £5m lower than the UK GAAP net asset position.

Further details can be found in Section D, Valuation for Solvency Purposes.

OUR CAPITAL MANAGEMENT

The Company is required to measure and monitor its capital resources on a regulatory basis and to comply with the regulatory capital requirements as set out in Solvency II requirements as published by the PRA at the balance sheet date.

As at 30 September 2023 the Company held £23m of surplus Own Funds above the SCR requirement, representing a regulatory capital coverage ratio of 306%. This buffer of capital resources over the regulatory requirement ensures that we are able to more than meet our insurance obligations after a 1-in-200-year event. In line with our risk management approach, we maintained an appropriate capital buffer throughout the previous year and remain well above our risk appetite action level.

Our Solvency II Balance sheet and Solvency coverage are presented below:

£m	Total 30 Sep 2023	Total 30 Sep 2022
Solvency II Tier 1 Own Funds	35	62
Solvency II Eligible Tier 3 Own Funds	2	5
Solvency Capital Requirement	11	36
Solvency Surplus	23	32
Ratio of eligible Own Funds to SCR	3.06	1.87
Minimum Capital Requirement	3	9
Minimum Capital Surplus	33	53
Ratio of eligible Own Funds to MCR	9.62	6.87

The Company's SCR was £11m at 30 September 2023. We measure and monitor our capital resources on a regulatory basis to comply with regulatory capital requirements. Our regulatory capital requirement is determined using the Standard Formula. The SCR has reduced during the last 12 months due to the number of policies and the size of the investment portfolio reducing during the year.

All our Own Funds have been assessed as basic Own Funds. There are no ancillary Own Fund items included in total Own Funds. Material basic Own Funds have been assessed against Article 71 of the Solvency II Delegated Regulation and accordingly been categorised as unrestricted Tier 1 Own Funds except for the deferred tax asset which is categorised as Tier 3 Own Funds.

£6m (2022: £3m) of the Tier 3 Own Funds is not eligible own funds. This is because there is a restriction on the eligibility of the Tier 3 capital to 15% of the Solvency Capital Requirement.

ANY OTHER INFORMATION

No further information to note.

DIRECTORS' CERTIFICATE

FAIRMEAD INSURANCE LIMITED – FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

The Directors acknowledge their responsibility for the proper preparation of the Solvency and Financial Condition Report in all material respects in accordance with the PRA rules and Solvency II requirements.

The Board is satisfied that to the best of its knowledge and belief:

(a) throughout the financial year to 30 September 2023, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II requirements as applicable to the Company; and

(b) it is reasonable to believe that in respect of the period from 30 September 2023 to the date of the publication of the Solvency and Financial Condition Report, the Company has continued so to comply and that it will continue so to comply for the remainder of the financial year to 30 September 2024.

Ulf Lange

Director

6 January 2024

AUDITOR'S REPORT

Report of the external independent auditor to the Directors of Fairmead Insurance Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by Fairmead Insurance Limited as at 30 September 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Fairmead Insurance Limited as at 30 September 2023, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S02.01.01, S17.01.01, S23.01.01, S25.01.01, S28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the relevant elements of the Solvency and Financial Condition Report, set out about above, which are identified in the Appendix to this report;

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates S05.01.01, S19.01.01;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

Based on the enquiries undertaken we note the following:

- Due to data limitations on reinsurance recoveries from Managing General Agency ('MGA') business, the Company has included all MGA reinsurance recoveries relevant to the premium provision within the 'Fire and other damage to property insurance' line of business rather splitting between 'Fire and other damage to property insurance' and 'General liability insurance'. We are therefore unable to confirm that the allocation between each of these lines of business is materially correct. We would not expect this to materially impact the Solvency Capital Requirement or the excess over own funds.

In our opinion, except for the above the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of Fairmead Insurance Limited as at 30 September 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determination.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of Fairmead Insurance Limited in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We draw attention to the Note D1.1 to the Solvency and Financial Condition Report which explains that the Directors intend to liquidate the company and therefore do not consider the company to be a going concern. Accordingly, the Solvency and Financial Condition Report has been prepared on a basis other than that of going concern as described in Note D1.1. Our opinion is not modified in this respect of this matter.

Emphasis of matter – basis of accounting

We draw attention to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the other Information and does not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report 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 in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Fairmead Insurance Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DocuSigned by:

BDO LLP

0FD4E1FFA52549F...

BDO LLP

55 Baker Street

London

W1U 8EW

Date: 6 January 2024

The maintenance and integrity of Fairmead Insurance Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – Relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 COMPANY DETAILS

This report is prepared in respect of the Company for the financial year ended 30 September 2023.

The Company	Fairmead Insurance Limited 57 Ladymead Guildford, Surrey GU1 1DB
The supervisory authority responsible for financial supervision of the Company	Prudential Regulation Authority 20 Moorgate London EC2R 6DA
The ultimate parent entity	Allianz SE Koeniginstrasse 28 80802 Munich Germany
The supervisory authority responsible for financial supervision of Allianz SE	Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin Dreizehnmorgenweg 13-15 53175 Bonn
The external auditor	BDO LLP 55 Baker Street London W1U 7EU

A.1.1.1 QUALIFYING HOLDINGS AND MATERIAL RELATED UNDERTAKINGS

The Company is wholly owned by LVGIG, which in turn is wholly owned by Allianz Holdings plc. The Company is part of the wider Allianz SE Group of companies, whose ultimate parent company is Allianz SE.

A.1.1.2 GROUP STRUCTURE

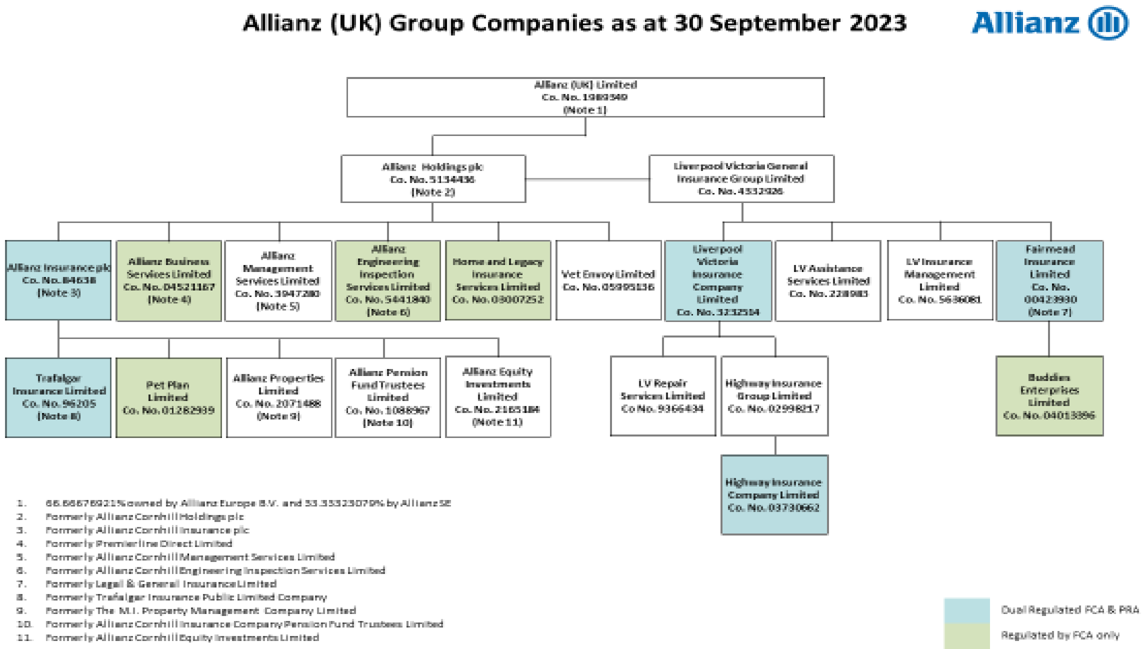
LVGIG is the Company's immediate parent undertaking, owning 100% of the £37m (£1 nominal) issued and fully paid ordinary share capital. The ultimate parent company and controlling party is Allianz SE, a company incorporated in Germany.

Allianz SE is the parent undertaking of the largest group of undertakings to consolidate financial statements. The Report and Financial Statements of Allianz SE are available from the Company Secretary at the Registered Office, Koeniginstrasse 28, 80802 Munich, Germany, or on the group website www.allianz.com.

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

The Company owns 100% of Buddies Enterprises Limited ('Buddies'), an insurance intermediary. Buddies (trading as ElectriX) acts as a distributor for insurance products.

The simplified Allianz UK structure as at 30 September 2023 is set out below which remains current at the date of signing of this report:



Principal activity

The Company is an insurance company authorised and regulated in the UK by the PRA and regulated by the FCA. We operate within the United Kingdom, the Channel Islands and the Isle of Man.

The principal activity of the Company is the transaction of general insurance business, specifically relating to risk covers for household. The Company stopped underwriting household business in May 2022 except for a household book of business via a contract with an MGA which underwrote policies on behalf of the Company up until 31 March 2023. The Company has also previously underwritten risks relating to short term income protection and pet insurance. All lines of business including household are now in run-off.

Household insurance contracts provide cover, subject to policy limits, against loss, damage or liability which our customers may incur as a property owner, occupier or landlord. This includes loss or damage from many causes, including but not limited to fire, smoke, explosion, lightning or earthquake; malicious acts of vandalism; storm or flood; subsidence, heave or landslip; theft or attempted theft; escape of water and leakage of oil; accidental damage to underground pipes or cables serving homes.

We offered a range of optional additional covers including accidental damage; personal possessions for loss or damage to items in and away from the home; family legal protection to pursue certain UK legal proceedings arising from, for example: death of or personal injury to a family member, buying or hiring goods or services, infringement of legal rights from owning or occupying a home and breach of employment contract. Our landlord insurance included loss of rent or alternative accommodation cover for the tenant with additional cover options available for landlords' contents insurance, accidental or malicious damage by tenants, legal expenses, rent guarantee and eviction of squatters.

Our main underwriting risks for household are an accumulation of claims arising from severe weather events as well as individual large liability claims. To mitigate these risks, we have reinsurance protection, thereby transferring these risks to other specialist companies. Our principal reinsurance arrangements are a catastrophe excess of loss treaty and quota share arrangements which include a 100% quota share agreement for our MGA exposure ('MGA QS') with Legal & General, and a 50% intra-group quota share with Allianz Re Dublin DAC ('Allianz Re').

The Directors plan to continue to run off the Company and review a number of options to close down and de-register the entity. No more underwriting activity is planned for the Company by the Directors.

A.2 UNDERWRITING PERFORMANCE

£m	30 September 2023	30 September 2022
Gross premium written	82	100
Gross premium earned	131	177
Gross claims incurred	(112)	(112)
Expenses	(56)	(96)
Changes in gross technical provisions	10	5
Reinsurance	26	10
Underwriting loss	**(1)**	**(16)**

The 2023 underwriting result is for the year ended 30 September 2023. The comparative period is for the nine-month period ended 30 September 2022.

Total gross written premium for the year ended September 2023 has fallen 18% to £82m compared to the year ended 30 September 2022 (£100m). The Company no longer offers the sale of new business polices for pet and Accident Sickness & Unemployment ('ASU') products and household products in the Direct and Broker channel. Household policies were offered up until 31 March 2023 via a contract with an MGA. This MGA contract accounts for £77m of the household gross written premium in the period.

Our 2023 underwriting result is presented above with an overall loss for the year ended 30 September 2023 of £1m. This is substantially lower than in 2022 and is largely due to the Company now being in run off.

Claims experience was adverse in 2023 with a net incurred loss ratio of 192% compared to 62% in 2022. The current year loss ratio has been impacted by adverse subsidence experience and increased inflation leading to prior year reserve strengthening as well as adverse experience arising from a freeze event in December 2022. The 2023 result was also affected by subsidence experience and increased inflation but to a lesser extent than 2022.

Net commission and expense incurred ratios reduced in 2023 to 66% (2022: 77%). This reflects the ongoing reduction in costs within the business now being in a full run off position. This reduction has also been driven in part by an £8m reduction in the net unexpired risk reserve (URR) provision (2022: £1m decrease).

Household non-liability insurance was the most significant line of business as at 30 September 2023, representing 99% of GWP (2022: 98%). General liability represented 1% for the year ended 30 September 2023 (2022: 2%).

A.3 INVESTMENT PERFORMANCE

The 2023 investment performance for the year ended 30 September 2023 is presented below. The comparative period is for the year ended nine months to 30 September 2022.

£m	Year ended 30 September 2023	9 months to 30 September 2022
Interest income on available-for-sale financial assets	2	1
Realised losses on available-for-sale financial assets	-	-
Dividend income	-	1
Total performance recognised in pre-tax profit for the period	**2**	**2**
Change in value of available-for-sale financial assets recognised in other comprehensive income	3	(8)
Total investment performance in the period	**5**	**(6)**

All of the investment return in the year arose on available-for-sale financial investments. Compared to the previous reporting period, there was no dividend income, after one of the Company's wholly owned subsidiaries, Fairmead Distribution Services Limited, was dissolved in August 2022.

The investment strategy of the Company continued to concentrate on minimising risk to the core insurance operations from which the investment cash flows are derived. We invested in assets to ensure the security, liquidity and quality of the portfolio as a whole, while taking into account the nature and duration of our insurance liabilities. The Company's investment portfolio is now in run off with the asset manager, PIMCO Europe Ltd ('PIMCO'), while the portfolios reduce. The Company is exposed to the impact of adverse economic conditions on its investment portfolio.

During the period, the Company's investment portfolio consisted of Government, Corporate and Covered bonds and so the Company's material exposures are to interest rate and credit spread movements. The Company's investment strategy is approved at the Allianz Holdings Finance and Investment Committee ('FICo'). The Company's portfolio produced positive returns during the period ended to 30 September 2023 mainly due to the reduction in credit spreads over the period, which increased the value of corporate bonds held in the investment portfolio. Interest income was higher due to rising yields and cash income.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 MATERIAL LEASING ARRANGEMENTS

We are currently in a 10-year lease arrangement for our premises in Birmingham (entered into in 2014), which had a break clause after five years that was not taken. The annual lease expense is £1.1m. Any lease, and associated building costs, have been recharged to another Allianz UK company from 1 January 2023.

We do not have any other significant lines of business or other activities.

A.5 ANY OTHER INFORMATION

The Company has allowed for wind down costs associated with the plan to close it and to the extent that the final costs exceed those already allowed for by the Company, these will be borne by other Allianz UK companies.

The Company continued to handle all existing open claims until 5 November 2022, at which point all remaining open claims were transferred to LVIC to handle. From 1 April 2022, a delegated claims handling agreement was put in place with all newly reported claims being handled by LVIC at an agreed cost per claim to the Company. With all policies now in runoff, the volume of new claims has significantly reduced. The estimated cost at 30th September payable by the Company to LVIC for handling future new claims is deemed to be minimal.

B. SYSTEM OF GOVERNANCE

The Company is regulated by both the PRA and FCA.

The Company is owned by LVGIG, a subsidiary of Allianz Holdings PLC, whose ultimate parent company is Allianz SE.

The Company has one subsidiary, Buddies, an insurance intermediary. Buddies (trading as ElectriX) acts as a distributor for Insurance products, holding FCA permissions to offer and sell insurance products and services, along with limited credit broking permissions. This means ElectriX, as well as distributing insurance products, can also effect an introduction to other brokers of an individual who wishes to enter into a credit agreement or consumer hire agreement. In addition to this ElectriX is also responsible for the regulated activities of CBVC Vehicle Management Ltd ('CBVC') in connection to the distribution of insurance. ElectriX operates as a lead referrer to CBVC for Personal Contract Hire, Business Contract Hire and Salary Sacrifice in relation to electric and plug in hybrid vehicles.

The pet product has been in run off since migration at renewal to Allianz Insurance plc commenced in 2021.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1 THE STRUCTURE OF THE BOARD AND BOARD REPORTING

The Company's Board comprises:

- Chairman (CFO, Allianz UK)
- Chief Executive Officer
- Chief Accountant & Financial Controller Allianz UK

The Company's Chief Risk Officer and Chief Actuary are standing attendees.

An annual fitness and propriety exercise is undertaken on all SMFs and certified role holders in compliance with the PRA's Senior Managers and Certification Regime.

The Board meets at least quarterly and has a schedule which identifies the regular and standing items that are considered at each Board meeting.

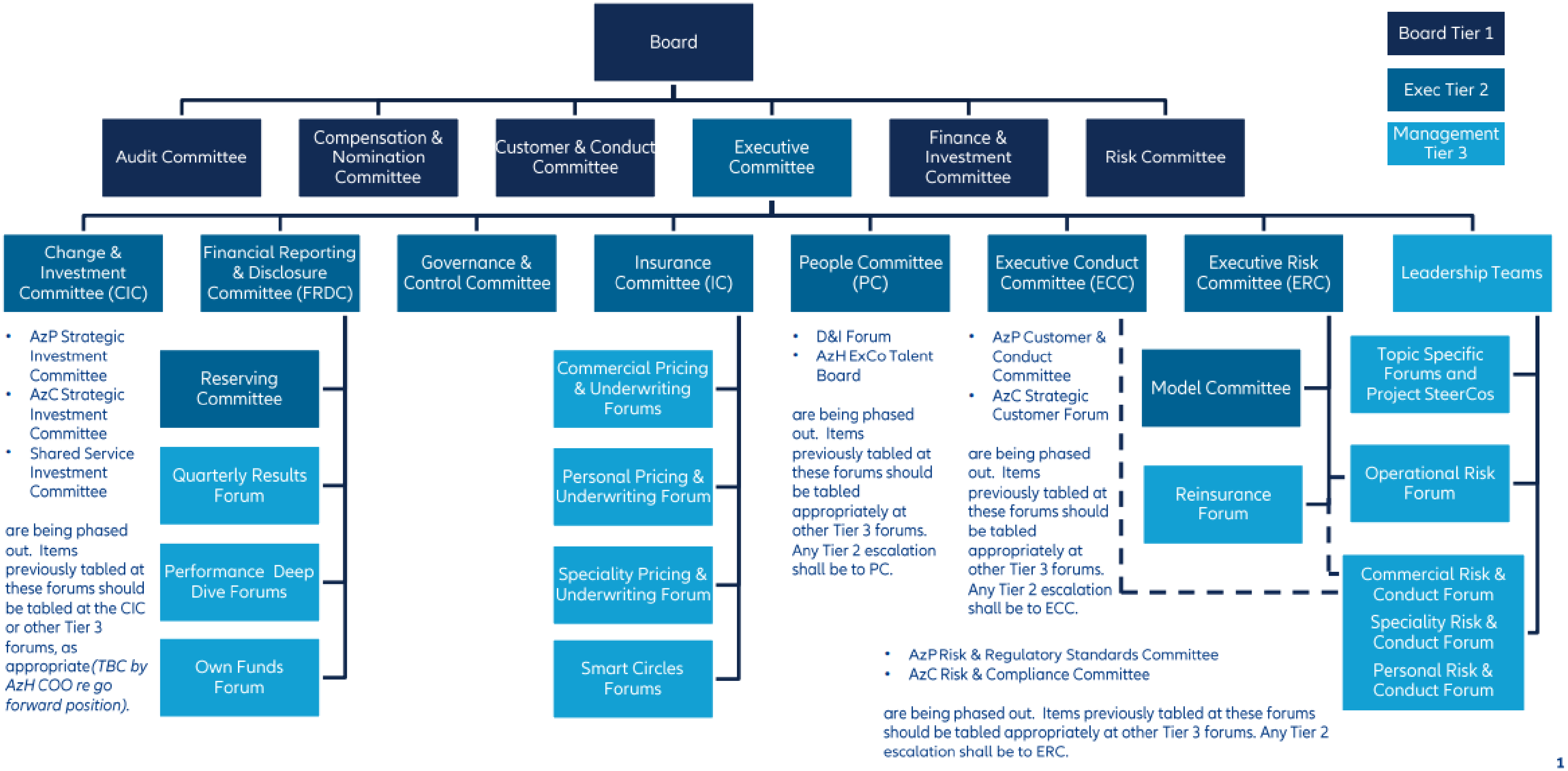
At each quarterly Board meeting the Board receives business updates from each of the business directors on the performance of their respective areas of responsibility for the business conducted by the Company. A more detailed review of the underlying businesses' financial performance is contained in the monthly Executive management information report. At each quarterly Board meeting the Board also receives a report from the Chief Risk Officer on prudential, operational and conduct risks impacting the Company. The Chief Actuary also submits a report updating the Board on the reserves and technical provisions.

B.1.2 COMMITTEE STRUCTURE AND DELEGATED AUTHORITIES

The Company leverages the governance structure of Allianz UK. The board of Allianz Holdings plc is responsible for deciding the business strategy and for ultimate oversight of the conduct and performance of Allianz UK as a whole. The board of Allianz Holdings plc as well as the Executive Committee of Allianz Holding plc have established a number of committees to ensure the efficient and effective operation of Allianz UK's business. The committees are responsible for oversight of their subject matter on behalf of all subsidiaries within Allianz UK, including the Company. The Company's Board is satisfied that where the committees consider matters relevant to the Company, the structure is appropriate and the committees consider matters on behalf of the Company effectively. Allianz UK's committee structure is set out on the next page:

MANAGEMENT FORUM SIMPLIFICATION

Allianz UK management committees



B.1.2.1 COMMITTEES OF ALLIANZ HOLDINGS PLC

The following committees of Allianz Holdings plc have a remit within their terms of reference to review and oversee matters on behalf of all subsidiaries in Allianz UK including the Company. Any recommendations are made to the board of Allianz Holdings plc and the Company's Board, where relevant.

B.1.2.1.1 RISK COMMITTEE

The Risk Committee is responsible for oversight of risks, the links between different risks and the Enterprise Risk Management Framework within which those risks are managed. Membership of the Committee comprises a non-executive director who acts as chair and at least three other non-executive directors of Allianz Holdings plc.

B.1.2.1.2 CUSTOMER AND CONDUCT COMMITTEE

The Customer & Conduct Committee is responsible for oversight of material customer and conduct matters both current and emerging across all entities in Allianz UK, including the Company. Membership of the Committee during the year comprised an independent non-executive director who acted as Chair, the Chair of the Board Risk Committee, two other independent non-executive director of Allianz Holdings plc, and the Chief Executive Officers of Allianz Holdings plc, the Commercial Managing Director, the Allianz Personal Managing Director and Speciality Managing Director of Allianz UK

B.1.2.1.3 AUDIT COMMITTEE

The Allianz UK Audit Committee monitors the integrity of the financial statements, financial reporting developments, financial controls and the system of internal control across Allianz UK. The Committee comprises an independent non-executive Director, who acts as Chair, and at least two other independent non-executive Directors of Allianz Holdings plc.

B.1.2.1.4 COMPENSATION & NOMINATION COMMITTEE

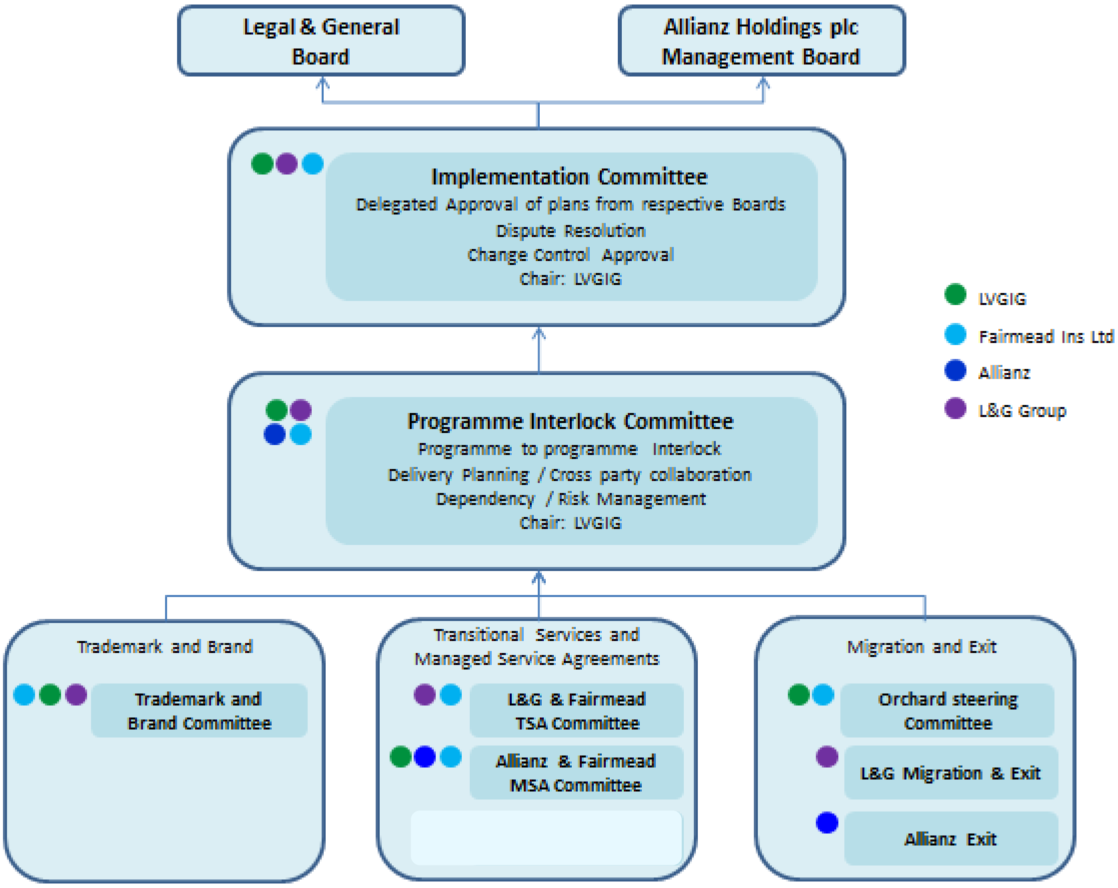
The Compensation & Nomination Committee is responsible for oversight of all compensation and nomination matters relating to executives and employees. Membership of the Committee comprises an independent non-executive director who acts as chair and at least two other independent non-executive directors of Allianz Holdings plc.

B.1,2.1.5 FINANCE & INVESTMENT COMMITTEE

The FICo is responsible for oversight and management of investment portfolios of Allianz UK and overseeing their investment-related risks. Membership of the Committee comprises the chair who is the Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer, the Regional CIO of Allianz Investment Management SE; and a non-executive director of Allianz Holdings plc.

B.1.2.2 SEPARATION AGREEMENT – ADDITIONAL GOVERNANCE

The additional governance changes, interactions and committee structure implemented as a result of the Separation Agreement between the Company, Legal & General Resources Limited, and Allianz Holdings plc are set out below. Following the successful migration of all systems and customers across to LVGIG and the subsequent completion of the integration of the Company within Allianz Holdings plc, this additional governance arrangement came to an end on 31 December 2022.



B.1.3 MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE OVER THE PERIOD

Three Directors who held office during the year resigned. A new Chair was appointed to the Company's Board on 1 July 2023. The Chair is also the Chief Financial Officer of Allianz Holdings plc. A new Chief Finance Officer for the Company was appointed to the Board on 7 November 2023 and is currently awaiting PRA approval.

B.1.4 REMUNERATION POLICY AND PRACTICES

B.1.4.1 REMUNERATION PRINCIPLES

The Allianz remuneration framework has been constructed to ensure that it is competitive and provides a balance of both fixed and variable pay but does not encourage excessive risk taking. The framework and the processes within it are reviewed by the Allianz UK Compensation & Nomination Committee. The review also monitors the remuneration framework's consistency with Allianz UK's identified risk appetite.

The Allianz UK Compensation & Nomination Committee is responsible for the sign-off of all remuneration decisions affecting the senior executive managers of the Company. This ensures impartiality of decision-making and ensures there are no conflicts of interest in respect of remuneration decisions and is guided by Allianz UK principles and requirements.

The remuneration of all employees comprises a combination of basic salary, appropriate benefits, and a performance related bonus. In the case of senior employees, the bonus is paid as a combination of cash and long-term equity incentives whose value is related to the share price of Allianz SE. The performance related bonus is based upon a combination of Allianz UK's performance against targets and personal performance against specific personal objectives. There is equal emphasis in the structure of the personal objectives for both the what and the how with senior managers completing a 360-degree feedback process to contribute to the assessment. It is the responsibility of managers to ensure that personal targets in place are objective and understood by the participants.

Allianz UK provides a defined contribution pension scheme, which is open to all employees.

The Company's staff are employed by either our parent company, LVGIG, or by another Allianz UK management company, Allianz Management Services Limited, who recharge all regular staff costs to the Company.

B.1.5 MATERIAL TRANSACTIONS

There were no material transactions between Directors or key managers and the Company during the reporting period. All transactions between the Company and its directors and key managers are on commercial terms which are no more favourable than those available to employees in general.

The Company uses reinsurance to manage the risk exposures within the company. Various reinsurance treaties are in force with several reinsurers including our former shareholder, Legal & General, and with a fellow member of the Allianz SE Group, Allianz Re.

At 30 September 2023 and 30 September 2022 there were no loans outstanding to officers of the Company.

B.1.6 SOLVENCY II KEY FUNCTIONS

The Solvency II key functions within the Company's system of governance are:

- Risk led by the Company's Chief Risk Officer;
- Compliance function led by Allianz UK's Chief Compliance & Corporate Affairs Officer;
- Internal Audit function led by Allianz UK's Chief Internal Audit Officer; and
- Actuarial function led by the Allianz UK's Chief Actuary.

Independence is maintained by having reporting lines independent of first-line functions.

Further information is provided on Risk Management in section B.3, Internal Audit in Section B.5, and the Actuarial and Risk Function in Section B.6.

B.2 FIT AND PROPER REQUIREMENTS

The Company requires that all directors and other senior managers possess integrity, repute, specific skills, knowledge and the experience necessary to execute their respective roles. This requirement has been aligned to satisfy the requirements of the PRA and/or FCA within the UK regulatory Senior Managers and Certification Regime ('SM&CR'), including all managers identified as Key Function Holders and/or Key Function Performers. The individuals, with the support of their line managers, are responsible for ensuring that their skills, knowledge and experience remains adequate and is kept up to date.

Processes are undertaken to assess the fitness and propriety of individual managers and directors subject to the SM&CR prior to those persons joining the Company. Thereafter, annually throughout their employment, a detailed attestation is required from the relevant individual. This includes declarations concerning:

- criminal proceedings or investigations against them or any firm over which they have held influence;
- civil proceedings and bankruptcy orders or liquidation or similar proceedings against them or any firm over which they have held influence;
- disciplinary and regulatory proceedings or findings against them;
- compliance with procedures concerning personal account dealings in Allianz SE and other securities; and
- potential or actual conflicts of interest.

B.2.1 ASSESSMENT AND APPOINTMENT UNDER THE SM&CR

Once an individual has had their fitness for a particular role assessed and has been selected, HR will carry out a range of checks including at Companies House (Directorships and the Disqualified Directors Register); Experian; criminal records; the Credit Industry Fraud Avoidance Service; the relevant terrorist financial sanction watch list checks; and previous employment references according to regulatory standards. Where required, the applicant's express permission will be obtained before a check is conducted.

In respect of holders of designated roles which require regulatory approval under the SM&CR and Certification Function Holders, HR will obtain a 'regulatory reference', in accordance with PRA and FCA requirements, from the individual's current or previous employer(s) or from any organisation(s) at which the individual is serving or has served as a non-executive director. It will be necessary to obtain more than one reference where a candidate has been employed by more than one employer or has served at more than one organisation in the previous six years. Reasonable efforts will be made to obtain a reference when a previous employer/organisation is not an authorised firm and therefore not bound by PRA and FCA rules to respond. HR should obtain the reference before submitting an application for approval to the PRA / FCA but must do so no later than one month before the end of the application period.

B.2.2 ONGOING EVIDENCE OF FITNESS AND PROPRIETY

Reviews are conducted in accordance with Allianz UK's Fit and Proper Policy and the requirements of the PRA and FCA.

As a minimum, the fitness and propriety of all relevant individuals (Key Function Members, holders of designated roles which require PRA or FCA approval and Certification Function Holders) will be assessed at least once a year.

Subject to the satisfactory outcome of the annual fitness and propriety review, all Certification Function Holders will receive a certificate from HR in accordance with PRA and FCA requirements, both upon appointment and at least once a year, to 'certify' that the individual is (and remains) fit and proper to perform the role.

Where it is considered that the individual is no longer 'fit and proper', he or she will be removed from the position in accordance with any relevant policies or procedures and the appropriate regulatory bodies notified.

B.3 RISK MANAGEMENT SYSTEM

B.3.1 RISK MANAGEMENT SYSTEM

The Company deploys a 'three lines of defence' risk governance model. This means that:

- The business areas are responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with the Company's risk policies, adjusted where required for specific requirements applying to the Company;
- The risk function provides objective challenge and guidance on risk matters and the compliance function provides compliance guidance and challenge; and

- The internal audit function provides independent assurance on the effectiveness of business risk management and the overall operation of the risk framework within Allianz UK.

Understanding the risks that we may be exposed to and deploying strategies to ensure residual exposures remain within acceptable parameters is an integral part of our business. We seek to deeply embed the necessary capabilities to assess and price for those risks that we believe offer sustainable returns; as well as ensuring the skill sets to closely manage those risk factors which could otherwise lead to unexpected outcomes. Our risk management framework supports informed risk taking by the Company setting out those rewarded risks for which we accept exposure; and the risks that we want to avoid. Risk limits and standards of internal control ensure exposures remain within our overall risk appetite.

B.3.1.1 RISK APPETITE

The Company's risk appetite statement sets out our overall attitude to risk, and the ranges and limits of acceptable risk taking. The Company conducts an annual review of its risk appetite, assessing the continued appropriateness of our key measures and tolerances relative to the risk exposures. Additionally, as part of the annual planning cycle, assessment is made of the level of risk-taking proposed in the plan and the capacity for risk-taking within the overall appetite framework.

The Company's risk appetite is approved by the Company's Board.

B.3.1.2 RISK TAKING AUTHORITIES

During the run-off period there continues to be risk oversight of the top enterprise risks and the solvency position, which is reported and discussed at the Company's Executive Committee.

B.3.1.3 RISK POLICIES

B.3.1.3.1 RISK CONTROL

The Company has formal corporate rules for the management of market, insurance, credit, liquidity, and operational risks. The corporate rules specify our overall strategies for ensuring each risk type is managed in line with our risk appetite and the minimum control standards that should be applied in managing our significant risk exposures.

B.3.1.3.2 RISK MITIGATION

The Company deploys a range of risk management techniques to manage and mitigate risks, to control risk exposures in line with our risk limits. For example, the Company uses reinsurance programmes to transfer significant aggregations and concentrations of insurance risk exposures. Our framework of controls includes documented underwriting policies and structured delegated pricing and underwriting authorities. It also includes investment policies which take into account the nature of our liabilities.

B.3.1.4 RISK IDENTIFICATION AND ASSESSMENT

B.3.1.4.1 REVIEW PROCESS

The Company operates a risk identification and assessment process under which we regularly consider changes in the profile of existing and emerging risks. The assessment process evaluates the risks that are inherent in our products as well as those that are presented from changes in the environments that we operate in.

B.3.1.4.2 OWN RISK SOLVENCY ASSESSMENT (ORSA)

The Company's risk identification and assessment process forms part of our broader ORSA process, our ongoing assessment of the risks to which the Company is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Company plan. The horizon of the plan extends to 2026 to align with the three-year planning horizon of Allianz UK.

B.3.1.5 RISK MANAGEMENT INFORMATION

Our risk management information framework is structured to report and support the review of ongoing and emerging risks and assess actual risk positions relative to the risk limits and targets that we set.

B.3.1.6 RISK OVERSIGHT

The Company's Chief Risk Officer supports our Board in articulating acceptable risk taking and ensuring the effective operation of our risk and capital framework. Whilst ongoing assessment of our capital position to confirm that it meets regulatory solvency requirements is primarily the responsibility of the Chief Financial Officer, the CRO provides second line support in this area.

The Chief Risk Officer also provides objective challenge and guidance on a range of risk matters to manage risks in line with our risk appetite.

B.3.1.7 RISK AND COMPLIANCE COMMITTEE

The Company's Board:

- owns the overall Risk Management System
- owns the Company's risk appetite statements
- is the ultimate owner of the Company's regulatory responsibilities

Since the start of 2023, the Company's Risk and Compliance Committee has been disbanded and its responsibilities have been transferred to the monthly Executive Committee, which reports to the Company's Board. These responsibilities include a monthly review of enterprise-wide key risk matters and review of quarterly ORSA reports.

The Executive Directors are accountable for:

- the implementation and operation of the risk management system
- identifying, measuring, managing, monitoring and reporting risks within the business
- ensuring all business decisions are informed by risk-based measures by reference to the agreed risk appetite statements wherever appropriate
- ensuring appropriate risk taking and risk assurance resources are in place

B.3.2 INTEGRATION OF RISK MANAGEMENT INTO THE DECISION-MAKING PROCESS

Understanding the risks that the Company may be exposed to and deploying strategies to ensure residual exposures remain within acceptable parameters is an integral part of our business.

The Company seeks to deeply embed the necessary capabilities to assess and price for those risks that it believes offer sustainable returns.

Our Risk Management framework supports informed risk taking, setting out those rewarded risks that we are prepared to be exposed to; and the risks that we want to avoid. Risk limits and standards of internal control ensure exposures remain within our overall risk appetite.

B.3.2.1 OWN RISK AND SOLVENCY ASSESSMENT

The purpose of the ORSA is to assess the Company's risks and to evaluate whether we have sufficient financial resources to sustain the business strategy over the plan horizon across a range of scenarios. The latest plan reflects the wider Allianz UK three-year planning horizon and assumes the continued run off and reduction of insurance liabilities.

The Company's ORSA process brings together the underlying risk and capital management processes by which we assess, monitor and measure our risks, review our business against risk appetite and tolerances and project the solvency position over the business plan. The ORSA is integrated with our business as usual risk and capital management. The ORSA cycle is aligned with the strategic and business planning process so that the key elements can interact and inform forward looking decision-making.

The Company's Board receives an annual ORSA Report from the Company's Chief Risk Officer. Quarterly ORSA update reports are produced to supplement the annual report.

Our key ORSA processes include:

- annual review of the risk appetite
- actual risk profile is monitored against the limits agreed in the risk appetite on a monthly basis
- strategy is reviewed at least annually by the Company's Board; the agreed strategy is then used in the business planning process
- the most recent business plan is used in the Company's capital model
- the financial budgets and plans are re-forecast on a quarterly basis
- the capital model is updated and run on a quarterly basis, based on the latest financial projections
- stress and scenario testing and solvency projections are produced and monitored quarterly

The Company's board is integral to the ORSA process, involved in:

- approving the ORSA policy
- considering capital projections and a sub-set of scenarios within the strategic plan
- reviewing proposed stress and scenario tests
- approval of the ORSA report
- monthly MI demonstrating compliance with risk appetite monitored at the Executive Committee

B.4 INTERNAL CONTROL SYSTEM

The Company's Internal Control Policy requires that our internal control system shall at least include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking, and a compliance function.

The Company's internal control framework seeks to ensure that:

- an organisational structure is defined, with clarity of roles, responsibilities and reporting lines;
- appropriate management information and reporting processes are defined;
- frameworks for decision making (including the delegation of authority) are articulated;
- clear segregation of duties is in place;
- conflicts of interest are managed;
- administrative and accounting procedures are aligned with group requirements;
- personnel have sufficient skills, knowledge and expertise to discharge their responsibilities (including those relating to the regulatory environment);
- adequate and orderly records of business are maintained;
- the security of customer data and other internal records is ensured;
- business procedures combat financial crime;
- processes are in place to deal with policyholder claims and complaints;

- the integrity of manual and computerised business systems is ensured; and
- processes ensure assessment of the possible impact of any changes in the legal environment

The process is monitored by the Allianz UK Audit Committee.

An important element of the internal control system are the independent control functions which comprise the Actuarial, Compliance and Risk functions along with independent assurance provided by the Internal Audit function.

B.5 COMPLIANCE FUNCTION

The Company has defined the Solvency II Compliance function as being responsible for:

- advising the Company Board on compliance with the Solvency II requirements and its associated laws, regulations and administrative provisions;
- advising the Company Board on the possible impact of any changes in the legal environment on operations of the undertaking concerned and the identification and assessment of compliance risk;
- developing and managing the Company's Solvency II Compliance Policy, which inter alia sets out the responsibilities, competencies and reporting duties of the (Solvency II) compliance function; and
- establishing and operating the Company's Solvency II Compliance Plan that details the activities the function will undertake in relation to compliance risk.

The Company's Solvency II Compliance Policy defines who will perform the governance tasks and other activities of the Solvency II compliance function, their roles and responsibilities (the competencies that enable them to perform the assigned tasks) and the overall approach to assessing, monitoring and reporting its compliance with applicable laws, regulations and administrative provisions.

The Company's Solvency II Compliance Plan is defined as the review activities performed by the Compliance Function to support them in advising the Company's Board on compliance in relation to Solvency II matters.

B.6 INTERNAL AUDIT FUNCTION

The Internal Audit function comprises a full-time team of audit professionals led by Allianz UK's Chief Internal Auditor. It reports to the Audit Committee Chair to ensure independence from first and second-line functions and to the CEO of Allianz UK for administrative purposes. The Internal Audit function produces an annual audit plan in consultation with the Allianz UK Executive Committee, the second-line functions and the Allianz UK Board. Delivery of this plan, findings from audits and remediation of those findings are overseen by the Allianz UK Audit Committee.

The primary responsibilities and activities of the function are to:

- carry out reviews of major business activities focusing on the areas of greatest risk to the business together with in-depth reviews of corporate functions and provide specialist expertise such as IT audit capability; and
- assess adherence to and monitor the overall effectiveness of internal systems and controls, risk management, procedures and policies.

As the Company has now completed the integration of its business operations into Allianz UK and all product lines are now in run off, there were limited reviews carried out specifically in relation to the Company as a standalone entity. Instead the Company was able to benefit from reviews carried out across the functions and structures within Allianz UK upon which it leverages and within which it is integrated.

B.7 ACTUARIAL FUNCTION

Solvency II requires that each company has an Actuarial function to:

- coordinate the calculation and validation of technical items under UK GAAP and Solvency II, including technical provisions calculations;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the Board of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements;
- contribute to the effective implementation of the risk- management system;
- prepare an annual report on the Actuarial function (Actuarial Function Report); and
- report the results of the reserve valuations via the Reserving Committee.

The Actuarial function's independence is supported by written policy. It recommends the level of technical provisions to the Allianz UK Reserving Committee. The work of the Actuarial function and its independence is overseen on behalf of the Board by the Allianz UK Audit Committee.

As at 30 September 2023, the SMF 20 Holder is supported by a team of actuarial professionals with a depth of experience. The SMF 20 Holder holds an appropriate Institute and Faculty of Actuaries Chief Actuary Practicing Certificate. The Actuarial function reports on compliance with the above requirements by producing an Actuarial Function Report.

B.8 RISK FUNCTION

The Risk function provides objective challenge and guidance on a range of risk matters to manage risks in line with the company's risk appetite. In particular, the Risk Function supports the Board in articulating acceptable risk-taking and ensuring the effective operation of our risk and capital framework. This includes:

- Ensuring there is an appropriate framework for the continued effective management of risks, including the identification, control, management, monitoring, and reporting of risk exposures in the company;
- Performing the firm's Own Risk and Solvency framework (ORSA), which encompasses the solvency calculation and regular stress and scenario testing;
- Facilitating the identification and assessment of material risks (or potential risks) to the business; and
- Ensuring the implementation of a control system and policy framework that is proportionate and fit for purpose based on the risk profile of the business.

B.9 OUTSOURCING

The Company's Outsourcing and Essential Supplier Services Policy sets out the framework and minimum standards of control and governance that the Company expects to be applied in the management of risks associated with outsourced supplier service arrangements. The policy specifies that an activity should not be outsourced where it would materially impair the quality of the Company's system of governance; unduly increase the Company's exposure to operational risk; impair the ability of supervisory authorities to monitor the Company's compliance with its obligations; or undermine continuous and satisfactory service to the Company's policyholders.

The policy requires that for all outsourced arrangements a rigorous evaluation and supplier selection process is undertaken having regard for the financial stability, expertise, ability and capacity of the supplier to deliver the required service. The policy also specifies that a written contract must be in place which includes: a service level agreement; the conditions under which the arrangement may be terminated; provision for the orderly transition of services to another provider or the Company if the contract is terminated; a defined mechanism to resolve disputes arising out of or relating to the contract; appropriate contingency plans should the supplier be unable to provide the required service; and provisions for the continued availability of any software upon which the group is reliant. Contracts must also ensure access to the provider's premises, business management and any data relating to the outsourced activity, by the Company's Internal Audit, Risk and Compliance functions, its external auditors and supervisory authorities; and appropriate warranties that the Company and client data is adequately protected against unauthorised access at all times. All outsourced arrangements must be managed under the direction of a named relationship manager in the Company. The Executive Committee maintains oversight of the management of outsourcing arrangements established by the first line business operations.

The Company's risk exposure to outsourcing arrangements has materially reduced as it has now been fully integrated with Allianz UK. A Transitional Service Agreement which was in place with Legal & General to provide a range of services ended 31 December 2022. All dedicated systems and existing customers were successfully migrated across to other Allianz UK companies by this date. The Transitional Service Agreement covered the following areas:

- Information Technology and Security
- Data Management
- Supplier Contract Management
- Certain Finance Operations

Below is a schedule of critical and important operational functions and activities that remain outsourced to suppliers used by the Company either directly or through relationships established by Allianz UK:

Critical and important operational functions and activities outsourced	Jurisdiction
Loss Adjusting	UK
Home Emergency services	UK
Legal Expenses Claims Handling	UK
ASU Claims Handling	UK

B.10 ADEQUACY OF THE SYSTEM OF GOVERNANCE

The Company's system of governance framework ('System of Governance') is reviewed annually within the Allianz UK System of Governance Review. The most recent review was completed and signed off in January 2023.

Solvency II legislation requires the System of Governance be subject to regular internal review. The Company conducts this review annually as part of the Allianz UK review and it is intended to be a consolidated cross-functional assessment of elements of the System of Governance through all relevant sources for evaluation. Entity level control assessment testing forms part of the review and is carried out by Internal Audit. Adequacy assessments of certain System of Governance elements, as selected by the Allianz SE Group, are also reviewed. The requirement to conduct the review is reflected in the Allianz UK Governance & Control Policy. The System of Governance review is assessed by the Allianz UK Governance & Control Committee, which is a sub-committee of the Allianz Holdings

Executive Committee and was assessed for 2022 as being adequate in proportion to the nature, scale and complexity of the risks inherent in the business. The System of Governance review was also reviewed by the Risk Committee and Allianz UK Board, ahead of a Statement of Accountability Attestation being completed by the Allianz UK CEO and Allianz UK CFO and returned to Allianz SE Group.

B.11 ANY OTHER INFORMATION

No further information to note.

C. RISK PROFILE GENERAL

C.1 RISK PROFILE

The risk preferences are high-level statements of the principles that the Company uses in its approach to managing the inherent risks arising from the nature of the products that it manufactures and sells.

The high-level preferences are translated into risk preference metrics with key risk limits and risk monitoring metrics managed by attendant Red/Amber/Green (‘RAG’) calibrations on a quantitative basis.

The inherent risks are:

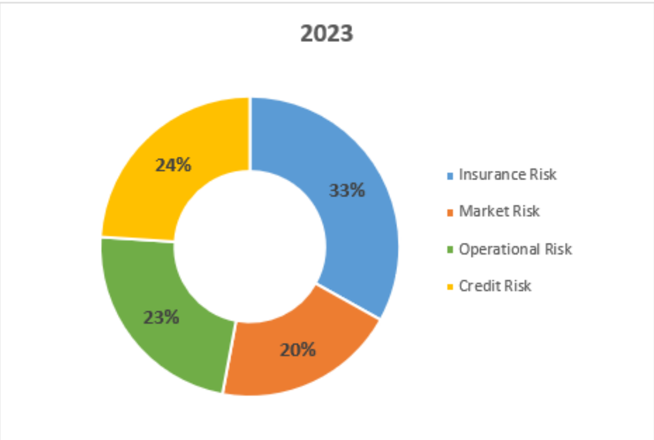
- Insurance risk;
- Market risk;
- Credit risk;
- Liquidity risk; and
- Operational risk.

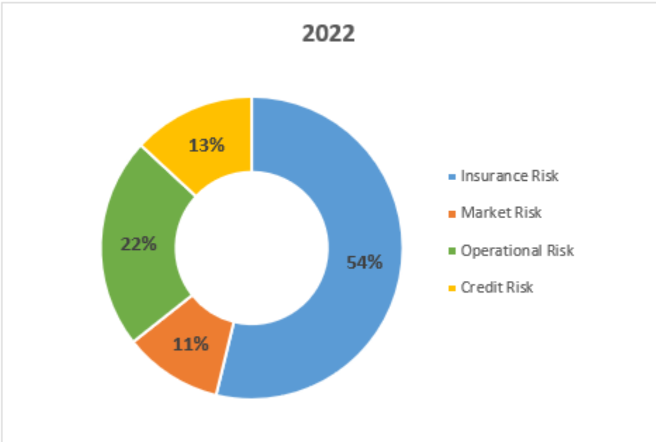
The principles and metrics for each of these risks are described below.

Over the course of the 12 months to 30 September 2023 there has been a reduction in insurance risk due to the continued migration of policies on renewal to Liverpool Victoria Insurance Company Limited (‘LVIC’). Overall, the SCR and the individual risk capital requirements have reduced during the last 12 months due to the number of policies gradually reducing within the Company and the size of the investment portfolio also reducing during the year.

Risk is measured and steered using a number of quantitative and qualitative tools which allows management to identify the key areas of risk exposure and make informed decisions as to whether the current levels of exposure are consistent with risk appetite.

Below is the breakdown of the Company’s diversified SCR by major risk categories:





C.1.1 INSURANCE RISK

Insurance risk is also known as underwriting risk. The Company is exposed to the following in relation to insurance risk:

- Reserve risk is the risk that the actual cost of claims from premium earned prior to the valuation date is different from the expected best estimate reserve. i.e. the 'claims reserve' element of the technical provision calculation.
- Expense risk is the risk of possible losses due to actual operating expenses being higher than those forecast in the business plan for the coming period. Operating expenses in this context consist of all expenses excluding claims handling expenses and acquisition costs.

Expense risk has significantly reduced however due to the migration of policies across to LVIC, the continued run-off of the business and the integration of the Company's operations within Allianz UK. The Company also has an agreement in place whereby other companies within Allianz UK will cover future costs associated with it being wound up.

Reserve risk is controlled through appropriate reinsurance and measured through expense over/underrun, and prior period reserve adjustment monitoring. There have been no material changes to the measures used to assess insurance risk during period ended 30 September 2023. Whilst all of the above Insurance risks have reduced, the impact of high inflation has resulted in higher reserves and therefore higher Reserve Risk than as otherwise would have been the case.

C.1.1.1 INSURANCE SPECIAL PURPOSE VEHICLES (SPVS)

The company has no SPVs authorised under Article 211 of the Solvency II Directive.

C.1.2 MARKET RISK

During the year to 30 September 2023 the Company's investment portfolio consisted of investment grade government and corporate bonds, and cash similar to during 2022. The Company's investments are managed by PIMCO. The investment portfolio is exposed to market risk as its value is influenced by external factors such as changes in interest rates and credit spreads. Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates. Credit spread risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in credit spreads above the risk-free rate.

Interest rate risk also impacts the discounted value of liabilities. Due to the short-term nature of the Company's liabilities, this risk is not material. Inflation risk exists on liabilities where the amount required to be paid to customers could rise as a result of higher inflation.

Market risk appetite is approved and then the investment mandate is agreed and approved at the FICo. Metrics presented to FICo consider the proportion of the fund invested in the various approved investment types e.g., proportion invested in corporate bonds. No changes were made to how market risk is measured during the period ended 30 September 2023.

Market risk has reduced over the period ended 30 September 2023 due to a reduction in the size of the portfolio following drawdowns made to pay for cash outgoings including a £30m dividend payment made by the Company during the year.

Over the course of the last 12 months, the investment portfolio produced positive returns mainly due to the reduction in credit spreads over the period, which increased the value of corporate bonds held. The duration of the assets and liabilities continues to fall as the business runs off.

C.1.2.1 PRUDENT PERSON PRINCIPLE

Article 132 of the Solvency II directive requires all investments held by insurance and reinsurance undertakings should be managed in accordance with the 'Prudent Person Principle'. The prudent person principle requires companies to only invest in assets and instruments:

- whose risks can be properly identified, measured, monitored, managed, controlled and reported;
- that ensure the security, quality, liquidity and profitability of the portfolio as a whole;
- that are appropriate to the nature and duration of insurance and reinsurance liabilities; and
- in the best interest of policyholders and beneficiaries.

The Company's risk appetite for credit and market risk is set in accordance with the prudent person principle.

The Company operates within an investment framework which ensures that all assets are invested in accordance with the prudent person principle. All investment and strategic management decisions are set within Board approved risk appetite limits. The Company meets the Prudent Person Principle by employing a professional Chief Investment Officer ('CIO'), who is supported by the global and specialist expertise of Allianz Investment Management. It also invests with reference to a Strategic Asset Allocation ('SAA') which defines its long-term investment strategy for the investment portfolio as a whole. All investment guidelines are approved by the Board or a delegated authority of the Board.

C.1.3 CREDIT RISK

Credit risk is the risk of financial loss due to the unexpected default, or deterioration in credit standing, of counterparties and debtors of the insurer. Default is split into two types:

C.1.3.1 TYPE-1 EXPOSURES

This comprises exposures that cannot be diversified away. These counterparties are likely to be rated and often involve an element of risk mitigation.

Examples include:

- Reinsurance; and
- Cash in banks.

C.1.3.2 TYPE-2 EXPOSURES

Type-2 exposures are those exposures that are usually diversified with the counterparty likely to be unrated. Examples of type-2 exposures are:

- Receivables from intermediaries; and
- Policyholder debt.

In the current macro-economic environment, the risk of default or deterioration in credit standing of the Company's counterparties is likely to be higher. However, type-1 exposures are with highly rated counterparties and the risk is considered low. Type-2 exposures are well diversified and are expected to reduce as the business runs off, with the exception of the specific MGA agreement which is subject to a 100% quota share arrangement covering all economic risk.

C.1.4 LIQUIDITY RISK

Liquidity risk is the risk that the Company, although solvent, either does not have sufficient liquid financial resources (cash) available to meet its obligations as they fall due or can only secure such liquid financial resources at an excessive borrowing cost relative to that achieved in the recent past.

The Company's Board is responsible for identifying the liquidity requirements of the company, which involves identifying the required liquidity facility to meet claims in extreme events, and ensuring that appropriate funds are in place to meet the claims arising from those events.

Our Financial Control team are responsible for the continued monitoring of the current and forecast operational cash balance.

Our Risk Function is responsible for modelling liquidity shortfalls, including losses arising from liquidity risk in combination with the weather catastrophe risk model are considered.

Any changes in liquidity requirements identified in the monitoring process would be escalated to the Company's CFO.

The Company had access during the year to a £150m revolving credit facility provided by LVIC. The agreement with LVIC has been in force since September 2020 and expired on 31 December 2023. All funds drawn on the facility will need to be repaid by the Company by 30 June 2024. The Company has therefore begun putting in place a new £30m intra-group loan facility, which is sufficient to cover the liquidity requirements going forward arising from a 1 in 200 catastrophe event modelled in the stress and scenario testing exercise.

C.1.5 OPERATIONAL RISK

Operational risk is defined as loss arising from inadequate or failed internal processes, people, systems or external events. The company has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action, or reputational damage.

Mitigation techniques are deployed via the company's internal control framework, which comprises the systems, processes and procedures that ensure business operations are conducted so as to meet our obligations to all stakeholders, comply with regulation and legislation, and minimise the risk of material error or fraud. We aim to implement effective controls (both preventative and detective) to reduce operational risk exposures, except where the costs of such controls exceed the expected benefits. We accept that no system of control will eliminate the risk of financial loss or reputational damage, and we expect all employees to report weaknesses and deficiencies as soon as they are identified.

The main sources of ongoing operational risks are related to the wind up of the entity and the MGA. None of these activities present a material risk to the Company's current strategic plan.

We have not identified any material risk concentrations for operational risk.

C.1.6 OTHER MATERIAL RISKS

There are no other material risks identified.

C.2 RISK CONCENTRATION

The insurance of properties which are concentrated in high risk areas, or an above average market share in a particular region, can give rise to a concentration of insurance risk.

This risk is managed by ensuring that the risk acceptance policy, terms and premiums both reflect the expected claim cost associated with the location and avoid adverse selection. Additionally, exposure and competitor activity was monitored by location to ensure that there was a geographic spread of business. Catastrophic reinsurance cover reduces the company's exposure to concentration of risk. The catastrophe reinsurance is designed to protect against up to a modelled windstorm and coastal flood event with a return probability of at least 1-in-500 years.

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

There are no material concentrations of risk associated with the investment portfolio. The investment mandate sets limits on asset holdings to ensure the portfolio remains well diversified.

Similarly with credit risk, there are clear limits in place limiting the exposure to any individual counterparty. This means there is no material concentration of credit risk.

C.3 RISK MITIGATION

The Company used reinsurance to manage the exposure to an accumulation of claims arising from a severe weather event. The joint catastrophe treaty currently in place covers the Company along with LVIC and Highway Insurance Company Limited (‘HICO’), another subsidiary of LVGIG. Under this treaty all losses from the three entities are combined and ceded to the treaty. The treaty reinsures the Companies for total losses between £30m and £770m (2022: losses between £30m and £965m) for a single event. A further reinsurance treaty with Flood Re protects against flood losses in excess of £250 on policies ceded. Any terrorism risk underwritten by the company is ceded to Pool Re.

All economic risk arising from specified MGA business is reinsured via a 100% quota share. This acts before the catastrophe reinsurance cover and the 50% quota share in place with Allianz Re.

Quota share reinsurance with Allianz Re is also used to cede 50% of the earned premium across all lines of business (net of inuring reinsurance earned premium) and incurred losses from all products to the quota share reinsurer.

A 100% quota share treaty was introduced in April 2018 to cede all risks associated with legal expense cover underwritten by the company to DAS Legal Expenses Insurance Limited (‘DAS’).

It is anticipated the Company will maintain comparable reinsurance arrangements throughout the run-off of the business.

C.4 LIQUIDITY RISK – EXPECTED PROFIT IN FUTURE PREMIUM

The total amount of the expected profit included in future premium as calculated in accordance with Article 260(2) of the Solvency II Delegated Regulation was £1 as at 30 September 2023 (2022: £6.1m) as shown in the QRT S.23 in Annex 1.

C.5 RISK SENSITIVITY

In order to adequately understand its risk exposures, the Company uses stress testing and sensitivity analysis for all material risks and events. These stresses are used to identify the most material impacts to the Company.

As at 30 September 2023 the Company’s Solvency ratio (that is, the percentage coverage of the SCR by Own Funds) was 295%. The table below shows the results of the sensitivity analysis for one-factor stresses, covering both market and non-market risks. The results include the impact on Own Funds and on the Company’s Solvency ratio.

Description	Impact on Eligible Own Funds (£m)	Impact on SCR (£m)	Impact on solvency Ratio
Base	**35**	**11**	**306%**
Interest Rates 100bps increase	-0.9	0.0	298%
Credit Spreads shock (100bps increase to all A rated investments)	-0.9	0.0	298%
Reserves increase by 20%	-4.7	1.0	243%

Overall, it can be seen that the most material stress is a 20% increase in reserves, but that this is still shown to result in a strong solvency coverage.

C.6 OTHER MATERIAL RISK INFORMATION

There is no other material risk information.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

The assets as at 30 September 2023 under Solvency II are £219m compared to the total value of assets under UK GAAP of £250m.

£m	Section Reference	30 Sep 2023	30 Sep 2022
Total UK GAAP Assets		250	414
Solvency II valuation differences	D.1.2	(31)	(119)
Total Solvency II Assets		219	295

D.1.1 SOLVENCY II VALUATION BASIS

Unless otherwise stated, assets and liabilities shall be recognised in conformity with United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts", and the Company's financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. Individual assets and liabilities shall be valued separately and can offset each other, where permitted, in accordance with UK GAAP accounting principles. Assets and liabilities (other than deferred tax) shall be valued under the historical cost convention as modified by the adoption of FRS 102 and FRS 103 on 1 January 2020.

The Directors have reviewed solvency and capital forecasts and consider that the Company has sufficient resources to continue operating for the foreseeable future and continue to meet all its liabilities and obligations as they fall due. The Directors have reviewed capital and liquidity forecasts, including under stressed scenarios, at least until 31 December 2024 as part of these considerations. The impact of the wider economic environment has also been considered in the solvency and liquidity projections underpinning this conclusion.

The Company has now completed the migration of its business and all product lines are in run off. The last insurance policy falling under the contract with the MGA is due to expire by 31 March 2024 as the Company wrote its final household policy on 31 March 2023. The Directors' current intention is to close the Company. The Directors have no intention to re-commence underwriting any new business. As a result, it is no longer considered appropriate to prepare these financial statements on a going concern basis. The going concern conclusion is not a result of the Company no longer having adequate resources to continue for the foreseeable future.

This has not resulted in any material adjustments to the valuation of any financial statement line on a UK GAAP or Solvency II basis.

D.1.2 SOLVENCY II VALUATION DIFFERENCES

The assets as at 30 September 2023 and the impact of valuation differences under UK GAAP are shown below. There have been no material changes to valuation bases used or estimations used during the period.

Assets (£m)	Ref	Solvency II 30 SEP 2023	UK GAAP 30 SEP 2023	Variance 2023	Solvency II 30 SEP 2022	UK GAAP 30 SEP 2022	Variance 2022
Deferred acquisition costs	D.1.2.1	-	7	(7)	-	24	(24)
Intangible assets	D.1.2.1	-	-	-	-	-	-
Deferred tax assets	D.1.2.2	7	6	1	8	7	1
Plant & equipment held for own use	D.1.2.3	-	-	-	-	-	-
Investments (other than assets held for index-linked and unit-linked contracts)		68	67	1	79	78	1
Holdings in related undertakings, including participations	D.1.2.4		-		-	-	-
Bonds	D.1.2.5	67	67	-	78	78	-
Reinsurance recoverables	D.1.2.6	116	139	(23)	132	182	(50)
Insurance and intermediaries receivables	D.1.2.7	10	10	-	14	52	(38)
Reinsurance receivables	D.1.2.6	4	6	(2)	-	7	(7)
Receivables (trade, not insurance)	D.1.2.8	11	12	(1)	45	46	(1)
Cash and cash equivalents	D.1.2.9	3	3	-	17	17	-
Total assets		219	250	(31)	295	414	(119)

Differences between the Solvency II and UK GAAP valuation bases for material asset classes are noted below.

D.1.2.1 INTANGIBLE ASSETS AND DEFERRED ACQUISITION COSTS

There is no concept of deferred acquisition costs for Solvency II.

The impact of this adjustment is £7m as at 30 September 2023.

D.1.2.2 DEFERRED TAX ASSETS

Under UK GAAP, the deferred tax position is driven by timing differences on the recognition of assets and liabilities between the tax basis and UK GAAP. Differences between the valuation of assets under SII and UK GAAP result in the recognition of an additional deferred tax asset under SII, due to differences in the valuation of technical provisions.

The Company expects to be able to recover any future taxation losses through group relief if its own future profits are not sufficient. This supports the carrying value of deferred tax assets as at 30 September 2023.

D.1.2.3 PLANT, PROPERTY & EQUIPMENT FOR OWN USE (PPE)

As at 30 September 2023 the Company has no PPE balances (2022: £nil) and therefore there is no difference between UK GAAP and Solvency II valuations.

D.1.2.4 HOLDINGS IN RELATED UNDERTAKINGS, INCLUDING PARTICIPATIONS

Subsidiary undertakings are held at cost less impairment under UK GAAP. Under SII, the investment is held at the net asset value of the subsidiary on a Solvency II valuation basis.

D.1.2.5 INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS): BONDS

Bond investments are measured at fair value in accordance with UK GAAP. Where available, valuations are based on quoted market prices. Where quoted prices are not available, fair value estimates are made at a point in time, based on relevant market data, as well as the best information about the individual financial investment.

All Treasury bond investments are classified as Level 1 and corporate bond investments are classified as Level 2 investments with fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

D.1.2.6 REINSURANCE RECOVERABLES AND RECEIVABLES

The valuation of reinsurance recoverables on a solvency basis allows for the probability weighted best estimate of default of external reinsurers and cashflows are discounted.

D.1.2.7 INSURANCE AND INTERMEDIARIES RECEIVABLES

In accordance with Solvency II guidelines premium cash flows falling due after the valuation date are recognised within technical provisions, and premiums overdue at the valuation date are recognised as an asset. Outstanding payment amounts overdue and not fully provided for as at 30 September 2023 amount to £10m and have continued to be recognised as an asset outside of technical provisions within insurance and intermediaries receivables.

D.1.2.8 RECEIVABLES (TRADE, NOT INSURANCE)

Trade receivables are valued at amortised cost. Amortisation is not allowed under Solvency II. We have deemed cost to be materially consistent with fair value given that our trade receivables are short term in nature, with the exception of advanced commission to distribution partners and prepaid expenses which are valued at nil under Solvency II. There is no advanced commission as at 30 September 2023 (2022: £nil).

Included within the £11m at 30 September 2023 (2022: £45m) are amounts relating to accounts in trust with suppliers.

D.1.2.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are valued at amortised cost in accordance with UK GAAP. Cash equivalents under Solvency II are defined to include only deposits exchangeable for currency on demand at par and that can be used to make payments without penalty or restriction.

D.1.3 VALUATION UNCERTAINTY

The Company values its assets in accordance with Article 10 of the Solvency II Delegated Regulation. Valuations of assets are underpinned by a system of processes and controls to ensure that we comply with Article 267 of the Solvency II Delegated Regulation. Included within these processes is an assessment of valuation uncertainty and the extent to which asset valuations are appropriate in light of uncertainties that exist. These processes focus on, although are not limited to, assets that are valued using alternative valuation techniques. We have concluded that our assets are valued appropriately in accordance with Article 10 of the Solvency II Delegated Regulation and appropriately reflect consideration of valuation uncertainty.

D.2 TECHNICAL PROVISIONS

A summary of our Technical Provisions (TPs) as at 30 September 2023 and 30 September 2022 is provided in the table below. Figures are gross of reinsurance.

30 September 2023

Technical provisions (£m)	Section Reference	Income protection	Motor vehicle liability	Fire and other damage to property	General liability	Misc. financial loss	Total
Claims provisions	D.2.1.5	-	-	110	15	0	125
Premium provisions	D.2.1.6	-	-	13	2	-	15
Best estimate	**D.2.1.1**	**-**	**-**	**123**	**17**	**-**	**141**
Risk margin	D.2.1.7	-	-	-	1	-	1
Total		**-**	**-**	**123**	**18**	**0**	**142**

30 September 2022

Technical provisions (£m)	Section Reference	Income protection	Motor vehicle liability	Fire and other damage to property	General liability	Misc. financial loss	Total
Claims provisions	D.2.1.5	-	-	118	9	4	131
Premium provisions	D.2.1.6	-	-	29	-	1	30
Best estimate	**D.2.1.1**	**-**	**-**	**147**	**9**	**5**	**161**
Risk margin	D.2.1.7	-	-	4	-	-	4
Total		**-**	**-**	**150**	**9**	**5**	**164**

Overall gross claims provisions have decreased due to the run-off profile of the Broker and Direct Household, Pet and ASU books. The gross claims provisions for Fire and Other Damage to Property have also decreased over the year due to reducing volumes as the last of the MGA business was written in March 2023.

Gross premium provisions have decreased due to the reduction in exposure as business is running off. This has been partly offset by the premium debtors within the gross premium provision, which have also decreased as a result of the run-off.

The risk margin has also reduced over the year mainly due to a reduction in net claims provisions.

The increase in interest rates over the year has also contributed to the reduction in the technical provisions due to the greater impact of discounting on future cash-flows.

D.2.1 SOLVENCY II VALUATION BASIS

Technical provisions are the sum of the BEL and the RM.

The BEL corresponds to the probability-weighted average of future cash flows, taking into account the time value of money (expected present value of future cash flows) using the relevant risk-free interest rate term structure.

D.2.1.1 BEST ESTIMATE LIABILITIES (BEL)

The main cash flows cover premiums, future financial obligations of policyholder claims costs, expenses of running the business (including investment expense and commission payments) and future management actions where deemed objective, realistic and verifiable.

The gross of reinsurance BEL is calculated without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles but includes expenses in respect of these arrangements. The BEL is calculated at a level deemed appropriate for homogeneous risk groupings, at a minimum by line of business segmented according to Chapter 10 of the technical provisions part of the PRA Rulebook for Solvency II firms. The BEL is based on exposures and estimated exposures as at 30 September 2023 and are calculated using standard actuarial projection techniques.

Future premiums and their associated claims and expenses are only considered for the period up to where the policyholder has the option to automatically renew, extend, increase or resume the insurance contract. After this point the Company can vary the premiums and therefore the automatic renewal option point represents the appropriate contract boundary. The treatment for business distributed through MGAs is on a look-through basis. This means that the Company treats the business written through the MGAs as if it were in the Company's main household book of business i.e. the Company looks through the contract it has with the MGAs.

Risk margin (RM)

The RM is calculated using information determined from, and therefore consistent with, the Company's Standard Formula SCR calculation. An estimate of the SCR is projected over the full run-off period of the technical provisions. The actual SCR calculation is based on the change in own funds over a one-year time horizon with allowance for one year's new business. For the purposes of the RM calculation the non-hedgeable SCR in each future year of run-off is calculated over the full run-off of the technical provisions assuming no new business is written. The run-off SCR for each individual risk is modelled and the correlation matrices defined in the Standard Formula are used to allow for diversification to calculate an overall run-off SCR for the Company. This is discounted using the relevant risk-free interest rate term structure and a cost-of-capital charge of 6% is applied as required by Solvency II rules.

D.2.1.2 DATA

The calculation of the technical provisions is dependent on the quality of the data underlying the calculations.

Over the year, a sub-section of the Company's claims has been migrated on to a new system with new claims handlers. This could potentially impact claims development patterns. This sub-section of the overall book was also previously modelled at a head of damage level however this is now modelled in aggregate due to the stability of the overall development.

At the previous year end, one of the potential data limitations identified was the accuracy of case estimate reserves on the underlying claims administration system. Since then, following migration to the new system, the new claims team have reviewed estimates on all liability and subsidence claims. Nevertheless, although the estimates used for the year-end reserving are now considered to be accurate, there is still the risk of potential limitations on historical estimates. As such, Actuarial have reduced the reliance on aspects of the data where limitations may exist to ensure claims reserves remain appropriate. This has meant that the adaptation used at the last year end where Actuarial projections were based on paid data (where data limitations have not been identified) continues to be employed. A reconciliation of the paid triangle at the last year end to the paid triangle at this year end show limited differences in the claims history. However, small movements can occur when old claims that were closed on the previous system are re-opened on the new system. There are controls in place to monitor these movements.

Where unusual claims movements have been identified, adjustments have been made to the data/judgements/assumptions where deemed necessary to arrive at the appropriate claims reserves.

D.2.1.3 METHODOLOGY

The models and methodologies used vary depending upon the class of business being assessed and the quality of the data available. In particular, the models and methodologies used this year have been simplified compared to last year in light of the continuing run-off of the Company's business, for example modelling on a whole account basis or setting reserves based on outstanding claims. The simplifications are not considered to have a material impact on the results.

D.2.1.4 CLAIMS PROVISIONS

D.2.1.4.1 HOUSEHOLD

The claims modelling has been conducted separately for claims arising from the Company's main household book of business and the household business written by the MGA. For each of these books of business, the analysis has been carried out on a whole account basis due to the stability of the underlying claims development patterns. A number of different methods are used to calculate the best estimate ultimate cost of claims, which includes:

- incurred chain ladder projections – an incurred data set is projected to an ultimate position using a chain ladder technique. The loss date is selected as the accident period and development month is selected as the development period. The data is split by month. This method relies on the stability of the claims reporting, handling and settlement process underpinning the data in the past and whether this is representative of what would happen in the future given the knowledge of the business and operational aspects of the claims process;
- paid chain ladder projections – this is the same as the incurred chain ladder method except paid data is selected rather than incurred data;
- loss ratio method – a selected loss ratio is multiplied by the earned premium to estimate the ultimate cost; and
- blended methods of the above – sometimes it is appropriate to put some reliance on current data and some reliance on past data. These methods are referred to as the 'Bornhuetter-Ferguson method'.

Post-projection adjustments for subsidence and large claims are made where the reserve for a given accident period resulting from the claims projection is considered to be insufficient for the expected future claims cost for that accident period.

A separate reserve is held for events not in data (ENIDs). This has been set equal to the additional management provision held for statutory accounting purposes.

D.2.1.4.2 OTHER LINES OF BUSINESS

The reserves for Pet, ASU, legal expenses and business written by the Prestige and Rentguard managing general agents are set based on the outstanding claims as the remaining claims liabilities are relatively small.

D.2.1.4.3 OTHER ADJUSTMENTS

The above classes have an allowance for expenses, reinsurance, counterparty default, discounting and other adjustments where required.

D.2.1.5 PREMIUM PROVISIONS

The models and methodologies used vary depending upon the class of business being assessed.

The expense provision required has been based on information provided by the accounting team. The majority of the expense provision relates to levies payable.

D.2.1.5.1 HOUSEHOLD

A future loss ratio has been estimated for the unearned household business, all of which relates to business written by the MGA. The future loss ratio is based on recent loss ratio experience reflecting inflation, expected subsidence experience and seasonality.

A loading has then been applied to allow for events not in data (ENIDs). The loading is based on that used for household business in the wider Allianz UK Group.

D.2.1.5.2 OTHER LINES OF BUSINESS

As at 30 September 2023 there is no longer any unearned premium for the other books of business (i.e. the Company's main household book, Pet, ASU, legal expenses and business written by the Prestige and Rentguard managing general agents). Therefore, there are no claims associated with unearned business.

D.2.1.5.3 OTHER ADJUSTMENTS

The above classes have an allowance for expenses, reinsurance, counterparty default, contract boundaries, policyholder behaviour, events not in data, discounting and other adjustments where required.

D.2.2 MAIN ASSUMPTIONS

Due to the short-tailed nature of the Company's business the impact of changes in individual assumptions generally has less impact compared to other classes of business, such as life or retirement products. The most material assumptions that have an impact on the provisions, split by product, include:

D.2.2.1 HOUSEHOLD

For the purpose of the claims provision and premium provision:

- for future exposure the past data is adjusted for actual and projected claims inflation;
- development factors – these are estimated and applied to claims projections with the objective of developing claims to their ultimate level;

- prior loss ratio assumptions, including seasonality adjustments if required – if recent data is volatile or lacks credibility then a prior loss ratio can be used. This will be based on past claims data, as will the seasonality adjustments;
- splits of ratios in Bornhuetter-Ferguson approaches – the weighting given to each method will be based on an appropriate measure and generally taken from past claims data;
- development ratios for current incurred claims to an ultimate position – based on past claims data;
- expenses – an allowance has been made for residual expenses, primarily for the Company's household book;
- mid-term cancellation (MTC) rates – based on the assumption used for household business in the wider Allianz UK Group;
- mix of liability to non-liability claims – based on past data; and
- amount of written but not incepted business – as both the Company and the MGA are no longer writing business as at 30 September 2023, it is assumed that there is no written but not incepted business.

D.2.2.2 OTHER LINES OF BUSINESS

For the purpose of the claims provision, the remaining claims liabilities for the other lines of business (Pet, ASU, legal expenses and business written by the Prestige and Rentguard managing general agents) are relatively small and as such it has been assumed that the best estimate can be based on the outstanding claims.

Furthermore, for the purpose of the premium provision, as the other lines of business are no longer being written, it is assumed that there is no written but not incepted business.

D.2.3 LEVEL OF UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

The assumptions underpinning the technical provision calculations are the best estimate view of the Company's business. Nevertheless, there exists uncertainty around the assessed value of the technical provisions arising from sources such as:

- future claims inflation;
- propensity for policyholders to claim;
- surge weather events that result in an increased re-opening rate of past claims;
- data quality; and
- general policyholder behaviour.

The assumptions are regularly reviewed and updated in the technical provisions calculations. Furthermore, the level of uncertainty is expected to reduce over time as the Company's business runs off.

The risk of the technical provisions being insufficient is modelled within the SCR.

The uncertainty surrounding the underlying data used to calculate technical provisions is raised in section D.2.1.3.

D.2.4 RECONCILIATION BETWEEN UK GAAP AND SOLVENCY II VALUATION

The table below shows the BEL under Solvency II and the UK GAAP provisions as at 30 September 2023 and 30 September 2022.

30 September 2023

Technical provisions (£m)	Section reference	Solvency II	UK GAAP	UK GAAP valuation differences
Claims provisions	D.2.1.5	125	129	(4)
Premium provisions	D.2.1.6	15	21	(5)
Best estimate	**D.2.1.1**	**141**	**150**	**(9)**
Risk margin	D.2.1.7	1	-	1
Total		**142**	**150**	**(8)**

30 September 2022

Technical provisions (£m)	Section reference	Solvency II	UK GAAP	UK GAAP valuation differences
Claims provisions	D.2.1.5	131	145	(14)
Premium provisions	D.2.1.6	30	80	(50)
Best estimate	**D.2.1.1**	**161**	**225**	**(64)**
Risk margin	D.2.1.7	4	-	4
Total		**164**	**225**	**(61)**

The technical provisions are lower under Solvency II because cash flows are calculated using best estimate assumptions excluding margins, discounted to allow for the time value of money and they allow for mid-term cancellations. UK GAAP does not require an explicit margin, whilst Solvency II does require a risk margin.

D.2.5 MATCHING ADJUSTMENT, VOLATILITY ADJUSTMENT AND TRANSITIONAL MEASURES

The Company does not utilise any of these arrangements.

D.2.6 REINSURANCE RECOVERABLES

The calculation of the reinsurance recoverable asset is consistent with the calculation of the gross BEL described above. The Company's reinsurance arrangements consist of the following:

- a 50% quota share agreement to cover all business, which acts after the other reinsurance arrangements;
- a 100% quota share agreement to cover specified MGA business from 31 December 2019;
- a catastrophe treaty;
- an adverse development cover treaty providing protection against deterioration of the reserves held at 31 December 2018 up to a cap of £15.2m (which is now fully exhausted);
- Flood Re cover (which is a rolling treaty covering individual risks on an excess of loss basis);
- A liability treaty for individual large liability claims (effective until 30 June 2021);
- a 100% quota share agreement with DAS to cover legal expenses; and
- Pool Re to cover terrorism.

The general reinsurance principle on the catastrophe cover is to provide cover for extreme events that would have a significant impact on the Company.

The reinsurance recoverable asset is unadjusted for the best estimate probability of reinsurer default as this has been estimated and judged to be immaterial.

D.2.7 MATERIAL CHANGES FROM YEAR ENDED 2022

There have been no other material changes in methodology.

D.2.8 SIGNIFICANT SIMPLIFIED MEASURES

There are no significant simplifications to report for the calculation of the technical provisions.

D.3 OTHER LIABILITIES

As at 30 September 2023 and 30 September 2022 the company had other liabilities as follows:

Other liabilities (£m)	Reference	Solvency II 30 SEP 2023	UK GAAP 30 SEP 2023	Variance 2023	Solvency II 30 SEP 2022	UK GAAP 30 SEP 2022	Variance 2022
Insurance and intermediaries payables	D.3.1	4	4	-	2	3	(1)
Reinsurance payables	D.3.2	11	22	(11)	14	45	(31)
Payables (trade, not insurance)	D.3.3	21	28	(7)	26	50	(24)
Deposits from Reinsurers	D.3.4	2	1	1	18	18	-
Total		**38**	**54**	**(17)**	**60**	**116**	**(56)**

There have been no changes to the bases of valuation in the current period.

None of the other liabilities possess future material uncertainty based on estimation.

Material differences between the Solvency II and UK GAAP valuation bases are set out below.

D.3.1 INSURANCE AND INTERMEDIARIES PAYABLES

Insurance and intermediaries payables are valued at amortised cost under UK GAAP. This is considered materially equivalent to fair value given the short-term nature of the liabilities. In accordance with Solvency II guidelines certain commission cash flows falling due after the valuation date are recognised within technical provisions.

D.3.2 REINSURANCE PAYABLES

Reinsurance payables are included within technical provisions under Solvency II (section D.2 provides further details) with the exception of £11m of reinsurance payables due under the 100% MGA quota share arrangement which are deemed overdue as at 30 September 2023.

D.3.3 PAYABLES (TRADE, NOT INSURANCE)

Payable (trade, not insurance) are valued at amortised cost under UK GAAP. The difference between UK GAAP and SII (£7m) is principally due to reinsurers' share of deferred acquisition costs not recognised under Solvency II.

D.3.4 DEPOSITS FROM REINSURERS

From 1 January 2022 the Company has not transferred any consideration in return for Allianz Re assuming the element of ceded reserves passed to them under the quota share arrangement (“Funds Withheld”) under a 50% whole of book quota share arrangement. Previously, the Company had transferred consideration (“Funds Transferred”). There is no difference in valuation of these balances between Solvency II and UK GAAP.

D.3.5 OFF BALANCE SHEET ITEMS

Tata Consultancy Services (‘TCS‘) provided software support and related systems maintenance services to the Company. In the course of the services, TCS was required to have access to Flood Re data and thus it entered into a data sharing agreement (‘DSA‘) with Flood Re on Flood Re’s standard terms. Legal & General Resources Limited (‘LGRL‘) granted an indemnity to TCS to compensate it for any Flood Re claims under the DSA (on the terms of agreement between LGRL and TCS). The Company, as the beneficiary of the services, granted an uncapped indemnity in favour of LGRL in respect of this TCS indemnity.

As part of the Company's exit of the transitional services arrangement with Legal & General at 31 December 2022, the Company no longer benefits from the services of TCS and no indemnity arrangement exists.

D.3.6 CONTINGENT LIABILITIES

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance of actual experience from that assumed may result in such liabilities differing from the provisions made for them.

Liabilities may also arise in respect of claims relating to the interpretation of such contracts, or the circumstances in which policyholders have entered into them. The extent of such liabilities is influenced by the actions of the PRA and FCA, by ombudsman rulings, by industry compensation schemes and by court judgements. It is not possible to predict, with certainty, the extent and the timing of the financial impact to which these liabilities may give rise. The Company considers that it has made appropriate provision for such liabilities as and when circumstances calling for such provision become clear and that it has adequate capital and reserves to meet all reasonably foreseeable eventualities.

D.4 ALTERNATIVE METHODS OF VALUATION

No alternative methods of valuation have been used.

D.5 ANY OTHER INFORMATION

No further information.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

E.1.1 OBJECTIVES FOR MANAGING OWN FUNDS

The risk appetite, which is set by the Board, sets out our approach for managing own funds, target capital coverage ratios and actions to be taken when managing Own Funds. We aim to maintain an appropriate buffer of capital resources over the regulatory capital requirements and our own internal liquidity targets. The capital coverage is projected over the three-year business planning horizon. Solvency and liquidity levels are monitored on a monthly basis, and used to inform any dividend recommendations. There have been no material changes to the calculation of Own Funds over the reporting period.

E.1.2 QUANTITATIVE EXPLANATION OF OWN FUNDS

The components of the UK GAAP equity and the Solvency II Own Funds as at 30 September 2023 and 30 September 2022 are presented below:

Own Funds (£m)	**UK GAAP equity 30 SEP 2023**	**Solvency II basic Own Funds 30 SEP 2023**	**UK GAAP equity 30 SEP 2022**	**Solvency II basic Own Funds 30 SEP 2022**
Ordinary shares	37	37	37	37
Share premium	-	-	-	-
Retained earnings	13	-	42	-
Available for sale reserve	(4)	-	(7)	-
Deferred Tax Asset	-	7	-	8
Reconciliation reserve	-	(4)	-	25
Total	46	40	72	71

E.1.3 STRUCTURE, AMOUNT, AND QUALITY OF BASIC OWN FUNDS

All of our Own Funds have been assessed as basic Own Funds. There are no ancillary Own Fund items included in total Own Funds. Material basic Own Funds have been assessed against Article 71 of the Delegated Regulation and accordingly been categorised as unrestricted Tier 1 Own Funds with the exception of the deferred tax asset which is categorised as Tier 3 Own Funds. There is a restriction on the eligibility of the Tier 3 capital to 15% of the Solvency Capital Requirement. £5m (2022: £3m) of the available Own Funds is not included in eligible Own Funds for this reason.

£m	**Total 30 SEP 2023**	**Total 30 SEP 2022**
Solvency Capital Requirement	11	36
Solvency Surplus	35	32
Ratio of eligible Own Funds to SCR	3.06	1.87
Minimum Capital Requirement	3	9
Minimum Capital Surplus	33	53
Ratio of eligible Own Funds to MCR	9.62	6.87

These values can be seen in the Own Funds QRT S.23.01.01 in Annex 1 of this report.

There were no new issues or redemptions of instruments over the reporting period.

E.1.4 RESTRICTIONS ON OWN FUNDS

As at 30 September 2023, there were no restrictions affecting the availability and transferability of Own Funds, or ring-fencing.

E.1.5 RECONCILIATION BETWEEN UK GAAP EQUITY AND EXCESS ASSETS OVER LIABILITIES

An explanation of the movement in each of the component parts of the Solvency II excess of assets over liabilities is presented in Section D – Valuation for Solvency Purposes, including a qualitative explanation for all valuation adjustments. The movement is shown below:

£m		30 SEP 2023	30 SEP 2022
UK GAAP shareholders' equity		46	72
Solvency II excess of assets over liabilities		40	71
Difference		(6)	(2)
Explained by:			
Difference in the valuation of assets	Section D1	(31)	(119)
Difference in the valuation of technical provisions	Section D2	8	61
Difference in the valuation of other liabilities	Section D3	17	56
Total:		(6)	(2)

E.1.6 RECONCILIATION RESERVE

The Reconciliation Reserve, which is a core component of basic Own Funds, is made up of the excess of assets over liabilities seen on the Balance Sheet QRT S.02.01.02 (shown in Annex 1 of this report), adjusted for ordinary share capital and the share premium account, which are presented as separate components of Own Funds.

The calculation of the reconciliation reserve is as follows:

£m	30 SEP 2023	30 SEP 2022	
Excess of assets over liabilities	40	71	(per QRT S.02.01.01)
Ordinary share capital	(37)	(37)	
Share premium account	-	-	
Deferred Tax Asset	(7)	(8)	
Reconciliation reserve	(4)	25	

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 SOLVENCY CAPITAL REQUIREMENT (SCR)

Our SCR as at 30 September 2023 was £11m. This was calculated using the Standard Formula, with no capital add-ons applied.

The SCR has decreased from £36m to £11m over the 12 months to 30 September 2023. This is largely due to the reductions in exposure following the migration of policies into LVIC and Allianz Insurance plc.

Further information on the SCR by risk categories is provided in the QRT S.25 in Annex 1 of this report. The company does not use any simplifications or any undertaking-specific parameters in the standard formula calculation.

E.2.2 MINIMUM CAPITAL REQUIREMENT (MCR)

The MCR as at 30 September 2023 was £3m. Calculation of the MCR uses data on net written premiums and net technical provisions, and is subject to a minimum of 25% of SCR and maximum of 45% of SCR. Our MCR is calculated based on the absolute floor of the MCR which is £3.44m.

The MCR has decreased from £9m to £3m over the 12 months to 30 September 2023. This is due to a decrease in the net written premium and net technical provisions over the period to 30 September 2023 compared to 30 September 2022. The linear MCR which is based on the level of technical provisions and written premium is now lower than the absolute floor of the MCR. It is therefore the absolute floor of the MCR which gets used in Company's MCR calculation.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

Not applicable as this relates to life insurance business.

E.4 INTERNAL MODEL INFORMATION

Not applicable as the Standard Formula is used for the SCR calculation.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There have been no instances of non-compliance with either the MCR or SCR for the Company over the reporting period.

E.6 ANY OTHER INFORMATION

No other information.

ANNEX 1 – QUANTITATIVE REPORTING TEMPLATES (QRTS)

S.02.01.01
Balance sheet

		Solvency II value	Statutory accounts value
	Assets	C0010	C0020
)010	Goodwill		
)020	Deferred acquisition costs		6,607,594.81
)030	Intangible assets	0.00	0.00
)040	Deferred tax assets	7,300,119.78	5,793,606.00
)050	Pension benefit surplus	0.00	0.00
)060	Property, plant & equipment held for own use	0.00	0.00
)070	Investments (other than assets held for index-linked and unit-linked contr	67,771,100.68	67,246,184.79
)080	*Property (other than for own use)*	0.00	0.00
)090	*Holdings in related undertakings, including participations*	524,915.89	0.00
)100	*Equities*	0.00	0.00
0110	*Equities - listed*	0.00	0.00
)120	*Equities - unlisted*	0.00	0.00
)130	*Bonds*	67,246,184.79	67,246,184.79
)140	*Government Bonds*	20,270,481.80	20,270,481.80
)150	*Corporate Bonds*	46,808,417.35	46,808,417.35
)160	*Structured notes*	0.00	0.00
)170	*Collateralised securities*	167,285.64	167,285.64
)180	*Collective Investments Undertakings*	0.00	0.00
)190	*Derivatives*		
)200	*Deposits other than cash equivalents*	0.00	0.00
)210	*Other investments*	0.00	0.00
)220	Assets held for index-linked and unit-linked contracts	0.00	0.00
)230	Loans and mortgages	0.00	0.00
)240	*Loans on policies*	0.00	0.00
)250	*Loans and mortgages to individuals*	0.00	0.00
)260	*Other loans and mortgages*	0.00	0.00
)270	Reinsurance recoverables from:	115,951,856.55	138,613,323.65
)280	*Non-life and health similar to non-life*	115,951,856.55	138,613,323.65
)290	*Non-life excluding health*	116,019,118.06	138,605,161.76
)300	*Health similar to non-life*	-67,261.51	8,161.89
)310	*Life and health similar to life, excluding index-linked and unit-linked*	0.00	0.00
)320	*Health similar to life*	0.00	0.00
)330	*Life excluding health and index-linked and unit-linked*	0.00	0.00
)340	*Life index-linked and unit-linked*	0.00	0.00
)350	Deposits to cedants	0.00	0.00
)360	Insurance and intermediaries receivables	10,531,127.75	10,531,127.25
)370	Reinsurance receivables	4,207,366.00	5,835,364.45
)380	Receivables (trade, not insurance)	10,819,357.63	12,000,399.71
)390	Own shares (held directly)	0.00	0.00
)400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00	0.00
)410	Cash and cash equivalents	3,142,522.57	3,142,522.57
)420	Any other assets, not elsewhere shown		
)500	**Total assets**	219,723,450.36	249,770,123.23

		Solvency II value	Statutory accounts value
	Liabilities	C0010	C0020
0510	Technical provisions - non-life	141,663,925.07	149,898,386.03
0520	*Technical provisions - non-life (excluding health)*	141,644,548.20	149,882,062.25
0530	*TP calculated as a whole*	0.00	0.00
0540	*Best Estimate*	140,514,417.76	0.00
0550	*Risk margin*	1,130,130.44	0.00
0560	*Technical provisions - health (similar to non-life)*	19,376.87	16,323.78
0570	*TP calculated as a whole*	0.00	0.00
0580	*Best Estimate*	16,323.78	0.00
0590	*Risk margin*	3,053.09	0.00
0600	Technical provisions - life (excluding index-linked and unit-linked)	0.00	0.00
0610	*Technical provisions - health (similar to life)*	0.00	0.00
0620	*TP calculated as a whole*	0.00	0.00
0630	*Best Estimate*	0.00	0.00
0640	*Risk margin*	0.00	0.00
0650	*Technical provisions - life (excluding health and index-linked and unit-*	0.00	0.00
0660	*TP calculated as a whole*	0.00	0.00
0670	*Best Estimate*	0.00	0.00
0680	*Risk margin*	0.00	0.00
0690	Technical provisions - index-linked and unit-linked	0.00	0.00
0700	*TP calculated as a whole*	0.00	0.00
0710	*Best Estimate*	0.00	0.00
0720	*Risk margin*	0.00	0.00
0730	Other technical provisions	0.00	0.00
0740	Contingent liabilities	0.00	0.00
0750	Provisions other than technical provisions	0.00	0.00
0760	Pension benefit obligations	0.00	0.00
0770	Deposits from reinsurers	1,942,815.00	701,378.00
0780	Deferred tax liabilities	0.00	0.00
0790	Derivatives	0.00	0.00
0800	Debts owed to credit institutions	0.00	0.00
0810	Financial liabilities other than debts owed to credit institutions		0.00
0820	Insurance & intermediaries payables	3,614,000.00	3,614,000.00
0830	Reinsurance payables	10,531,127.55	21,741,283.56
0840	Payables (trade, not insurance)	21,525,824.93	28,135,500.00
0850	Subordinated liabilities		0.00
0860	*Subordinated liabilities not in BOF*	0.00	0.00
0870	*Subordinated liabilities in BOF*	0.00	0.00
0880	Any other liabilities, not elsewhere shown	0.00	0.00
0900	**Total liabilities**	179,277,692.55	204,090,547.59
000	**Excess of assets over liabilities**	40,445,758.41	45,679,575.64

S.05.01.01

Premiums, claims and expenses by line of business

Non-life	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
	Income protection insurance	Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	
	C0020	C0040	C0070	C0080	C0090	C0120	C0200
Premiums written							
Gross - Direct Business	46,370		79,478,500	2,038,325		93,539	81,656,734
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	23,185		81,310,196	2,068,874		46,770	83,449,025
Net	23,185	-	-1,831,697	-30,549	-	46,770	-1,792,291
Premiums earned							
Gross - Direct Business	46,370		127,940,781	3,280,948		93,539	131,361,638
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	23,185		123,385,489	3,122,212		46,770	126,577,656
Net	23,185	-	4,555,292	158,736	-	46,770	4,783,982
Claims incurred							
Gross - Direct Business	-157,089		112,710,633	2,660,860		-2,740,782	112,473,622
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	-77,653	-	101,470,686	1,531,242	-	-1,403,275	101,521,000
Net	-79,436	-	11,239,947	1,129,618	-	-1,337,507	10,952,622
Changes in other technical provisions							
Gross - Direct Business			10,335,622				10,335,622
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share			2,509,001				2,509,001
Net	-	-	7,826,620	-	-	-	7,826,620
Expenses incurred	28,180	-	2,360,449	75,435	-	1,116,787	3,580,852
Administrative expenses							
Gross - Direct Business	126,218		6,045,012	102,007		1,232,375	7,505,613
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share			1,776,311	10,696			1,787,006
Net	126,218	-	4,268,701	91,311	-	1,232,375	5,718,606
Investment management expenses							
Gross - Direct Business	186		29,780	792		1,910	32,667
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share							-
Net	186	-	29,780	792	-	1,910	32,667
Claims management expenses							
Gross - Direct Business	10,363		1,167,770	31,016		77,592	1,286,741
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	5,181		583,884	15,508		38,796	643,370
Net	5,181	-	583,886	15,508	-	38,796	643,371
Acquisition expenses							
Gross - Direct Business	-94,340		47,056,893	1,342,849		-138,007	48,167,395
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	9,065		49,578,810	1,375,025		18,287	50,981,187
Net	-103,405	-	-2,521,918	-32,176	-	-156,293	-2,813,793
Overhead expenses							
Gross - Direct Business							-
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share							-
Net	-	-	-	-	-	-	-
Other expenses							
Total expenses							3,580,852

S.17.01.01
Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance				
	Income protection insurance	**Fire and other damage to property insurance**	**General liability insurance**	**Miscellaneous financial loss**	**Total Non-Life obligation**
	C0030	C0080	C0090	C0130	C0180
Technical provisions calculated as a whole	0.00	0.00	0.00	0.00	
Direct business					
Accepted proportional reinsurance business					
Accepted non-proportional reinsurance					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole					
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross - Total	0.00	13,204,661.02	1,880,268.84	0.00	15,084,929.86
Gross - direct business	0.00	13,204,661.02	1,880,268.84	0.00	15,084,929.86
Gross - accepted proportional reinsurance business	0.00	0.00	0.00	0.00	0.00
Gross - accepted non-proportional reinsurance business	0.00	0.00	0.00	0.00	0.00
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty def	0.00	5,042,077.61	106,919.68	0.00	5,148,997.29
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	0.00	5,042,077.61	106,919.68	0.00	5,148,997.29
Recoverables from SPV before adjustment for expected losses	0.00	0.00	0.00	0.00	0.00
Recoverables from Finite Reinsurance before adjustment for expected losses	0.00	0.00	0.00	0.00	0.00
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty defa	0.00	5,042,077.61	106,919.68	0.00	5,148,997.29
Net Best Estimate of Premium Provisions	0.00	8,162,583.41	1,773,349.15	0.00	9,935,932.57
Claims provisions					
Gross - Total	16,323.78	109,726,994.46	15,327,266.45	375,227.00	125,445,811.68
Gross - direct business	16,323.78	109,726,994.46	15,327,266.45	375,227.00	125,445,811.68
Gross - accepted proportional reinsurance business	0.00	0.00	0.00	0.00	0.00
Gross - accepted non-proportional reinsurance business	0.00	0.00	0.00	0.00	0.00
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty def	-67,261.51	108,580,258.19	2,237,048.45	52,814.14	110,802,859.26
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	-67,261.51	108,580,258.19	2,237,048.45	52,814.14	110,802,859.26
Recoverables from SPV before adjustment for expected losses	0.00	0.00	0.00	0.00	0.00
Recoverables from Finite Reinsurance before adjustment for expected losses	0.00	0.00	0.00	0.00	0.00
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty defa	-67,261.51	108,580,258.19	2,237,048.45	52,814.14	110,802,859.26
Net Best Estimate of Claims Provisions	83,585.29	1,146,736.27	13,090,218.00	322,412.86	14,642,952.42
Total best estimate - gross	16,323.78	122,931,655.48	17,207,535.28	375,227.00	140,530,741.54
Total best estimate - net	83,585.29	9,309,319.69	14,863,567.15	322,412.86	24,578,884.99
Risk margin	16,823.79	462,658.15	650,648.50	3,053.09	1,133,183.53
Amount of the transitional on Technical Provisions					
TP as a whole					
Best estimate					
Risk margin					
Technical provisions - total	33,147.57	123,394,313.64	17,858,183.78	378,280.09	141,663,925.07
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due t	-67,261.51	113,622,335.80	2,343,968.13	52,814.14	115,951,856.55
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	100,409.08	9,771,977.84	15,514,215.65	325,465.94	25,712,068.52
Line of Business (LoB): further segmentation (Homogeneous Risk Groups)					
Premium provisions - Total number of homogeneous risk group	1	1	2	2	
Claims provisions - Total number of homogeneous risk groups	1	1	2	2	
Cash-flows of the Best estimate of Premium Provisions (Gross)					
Cash out-flows					
Future benefits and claims	0.00	11,190,995.56	1,961,377.54	0.00	13,152,373.10
Future expenses and other cash out-flows	0.00	2,175,631.74	21.76	0.00	2,175,653.50
Cash in-flows					
Future premiums	0.00	-278,199.23	-49,604.27	0.00	-327,803.50
Other cash in-flows (incl. Recoverables from salvages and subrogations)	0.00	440,165.51	130,734.73	0.00	570,900.24
	TRUE	TRUE	TRUE	TRUE	TRUE
Cash-flows of the Best estimate of Claims Provisions (Gross)					
Cash out-flows					
Future benefits and claims	16,003.71	112,018,349.19	16,101,003.89	367,869.61	128,503,226.39
Future expenses and other cash out-flows	320.07	2,114,569.83	299,468.49	7,357.39	2,421,715.79
Cash in-flows					
Future premiums	0.00	6.08	0.85	0.00	6.92
Other cash in-flows (incl. Recoverables from salvages and subrogations)	0.00	4,405,918.48	1,073,205.09	0.00	5,479,123.57
	TRUE	TRUE	TRUE	TRUE	TRUE
Percentage of gross Best Estimate calculated using approximations					
Best estimate subject to transitional of the interest rate					0.00
Technical provisions without transitional on interest rate					0.00
Best estimate subject to volatility adjustment					0.00
Technical provisions without volatility adjustment and without others transitional measures					0.00

S.19.01.01
Non-life insurance claims

Line of business	Z0010	
Accident year / Underwriting year	Z0020	1
Currency	Z0030	GBP
Currency conversion	Z0040	

Gross Claims Paid (non-cumulative)
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
Prior	R0100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N-14	R0110	88,835,005	53,794,779	5,948,231	1,496,006	2,696,108	376,382	345,674	538,061	156,330	210,046	955,716	113,075	79,622	51,490	37,561	
N-13	R0120	81,191,111	81,899,524	9,007,534	3,621,396	586,952	299,847	617,059	729,463	116,537	324,962	62,515	10,936	76,338	610,954		
N-12	R0130	72,465,795	38,809,045	6,051,611	1,249,320	658,533	878,043	417,692	22,503	19,881	128,125	226,377	22,633	281,176			
N-11	R0140	89,891,774	47,758,961	4,154,834	1,472,397	433,259	745,998	193,421	-248,122	68,624	109,403	20,558	8,316				
N-10	R0150	78,368,401	58,634,845	5,112,236	1,418,029	1,058,021	975,931	-330,347	229,658	-38,144	-49,313	766,598					
N-9	R0160	100,989,237	49,021,896	3,854,889	1,764,841	1,296,367	1,482,200	1,148,016	476,134	968,527	244,260						
N-8	R0170	86,291,881	60,098,200	5,413,015	1,465,771	602,167	722,761	754,487	731,101	-900,895							
N-7	R0180	83,024,106	51,565,098	5,454,620	2,294,013	928,968	1,989,421	2,257,545	-1,396,859								
N-6	R0190	95,636,277	54,334,488	7,584,019	3,251,712	1,885,147	2,815,425	-759,165									
N-5	R0200	123,229,651	81,920,755	17,032,137	9,533,026	5,174,742	1,624,935										
N-4	R0210	119,231,045	84,897,494	21,969,745	4,260,565	5,668,409											
N-3	R0220	124,058,880	92,474,955	8,776,015	9,659,746												
N-2	R0230	81,165,337	69,575,552	24,971,908													
N-1	R0240	32,264,338	46,662,596														
N	R0250	39,037,187															

		In Current year
		C0170
	R0100	0
	R0110	37,561
	R0120	610,954
	R0130	281,176
	R0140	8,316
	R0150	766,598
	R0160	244,260
	R0170	-900,895
	R0180	-1,396,859
	R0190	-759,165
	R0200	1,624,935
	R0210	5,668,409
	R0220	9,659,746
	R0230	24,971,908
	R0240	46,662,596
	R0250	39,037,187
Total	R0260	126,516,726

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350
Prior	R0100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-16,670
N-14	R0110								283,382	218,215	97,007	89,424	63,311	137,468	143,347	0	
N-13	R0120							760,746	378,237	268,479	238,243	74,829	137,984	123,449	0		
N-12	R0130						1,136,576	385,933	276,666	231,421	865,701	-70,543	440,382	269,436			
N-11	R0140					1,274,240	182,008	71,214	294,228	246,446	39,098	226,179	1,292				
N-10	R0150				5,170,419	2,722,657	436,270	378,517	936,194	668,375	######	-1,364					
N-9	R0160			3,885,086	3,529,616	1,904,130	2,499,140	3,370,154	1,994,058	555,653	412,002						
N-8	R0170		9,961,179	4,567,866	2,180,703	2,677,816	2,237,598	931,211	-388,928	596,551							
N-7	R0180	62,054,751	8,793,539	4,188,500	3,515,080	3,012,543	1,254,821	-2,002,748	7,263								
N-6	R0190	70,163,072	11,971,678	5,262,145	2,801,521	2,462,197	24,012	787,335									
N-5	R0200	103,631,474	25,479,939	15,699,758	8,722,297	5,262,393	4,629,343										
N-4	R0210	99,017,401	30,441,672	12,398,156	8,664,949	6,484,709											
N-3	R0220	118,820,020	25,487,392	16,468,045	10,011,602												
N-2	R0230	85,948,167	33,295,319	20,752,533													
N-1	R0240	75,259,637	23,959,540														
N	R0250	59,857,230															

		Year end (discounted data)
		C0360
	R0100	-16,368
	R0110	0
	R0120	0
	R0130	264,544
	R0140	1,269
	R0150	-1,339
	R0160	404,521
	R0170	585,719
	R0180	7,131
	R0190	773,039
	R0200	4,547,088
	R0210	6,371,035
	R0220	9,834,724
	R0230	20,377,375
	R0240	23,526,702
	R0250	58,770,372
Total	R0260	125,445,812

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	37,000,000.00	37,000,000.00		0.00	
Share premium account related to ordinary share capital	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
Subordinated mutual member accounts	0.00		0.00	0.00	0.00
Surplus funds	0.00	0.00			
Preference shares	0.00		0.00	0.00	0.00
Share premium account related to preference shares	0.00		0.00	0.00	0.00
Reconciliation reserve	-3,854,361.37	-3,854,361.37			
Subordinated liabilities	0.00		0.00	0.00	0.00
An amount equal to the value of net deferred tax assets	7,300,119.78				7,300,119.78
Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	0.00
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own	0.00				
Deductions					
Deductions for participations in financial and credit institutions	0.00	0.00	0.00	0.00	
Total basic own funds after deductions	40,445,758.41	33,145,638.63	0.00	0.00	7,300,119.78
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0.00				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00				
Unpaid and uncalled preference shares callable on demand	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0.00				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
Other ancillary own funds	0.00				
Total ancillary own funds	0.00			0.00	0.00
Available and eligible own funds					
Total available own funds to meet the SCR	40,445,758.41	33,145,638.63	0.00	0.00	7,300,119.78
Total available own funds to meet the MCR	33,145,638.63	33,145,638.63	0.00	0.00	
Total eligible own funds to meet the SCR	34,856,616.48	33,145,638.63	0.00	0.00	1,710,977.85
Total eligible own funds to meet the MCR	33,145,638.63	33,145,638.63	0.00	0.00	
SCR	11,406,519.00				
MCR	3,444,600.00				
Ratio of Eligible own funds to SCR	306%				
Ratio of Eligible own funds to MCR	962%				

Reconciliation reserve	C0060
Excess of assets over liabilities	40,445,758.41
Own shares (held directly and indirectly)	0.00
Foreseeable dividends, distributions and charges	
Other basic own fund items	44,300,119.78
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00
Reconciliation reserve	-3,854,361.37
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	
Expected profits included in future premiums (EPIFP) - Non- life business	1.00
Total Expected profits included in future premiums (EPIFP)	1.00

S.25.01.01
Solvency Capital Requirement - for undertakings on Standard Formula

Z0010 Article 112 **Regular reporting**

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
		C0030	C0040	C0050	C0090	C0120
R0010	Market risk	3,028,864.75	3,028,864.75	0.00		
R0020	Counterparty default risk	3,661,852.67	3,661,852.67	0.00		
R0030	Life underwriting risk			0.00		
R0040	Health underwriting risk	38,404.77	38,404.77	0.00		
R0050	Non-life underwriting risk	4,856,795.32	4,856,795.32	0.00		
R0060	Diversification	-2,811,671.94	-2,811,671.94			
R0070	Intangible asset risk		0.00			
R0100	**Basic Solvency Capital Requirement**	8,774,245.57	8,774,245.57			

		C0100
	Calculation of Solvency Capital Requirement	
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	2,632,273.67
R0140	Loss-absorbing capacity of technical provisions	0.00
R0150	Loss-absorbing capacity of deferred taxes	0.00
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	11,406,519.24
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	11,406,519.24

S.28.01.s

Minimum Capital Requirement - Non-Composite

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	2,484,618.55

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expenses and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	83,585	23,185
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	9,309,320	0
General liability insurance and proportional reinsurance	R0090	14,863,567	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	322,413	46,770
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation		C0070
Linear MCR	R0300	2,484,619
SCR	R0310	11,406,519
MCR cap	R0320	5,132,934
MCR floor	R0330	2,851,630
Combined MCR	R0340	2,851,630
Absolute floor of the MCR	R0350	3,444,600
Minimum Capital Requirement	R0400	3,444,600