

COMPANY REGISTRATION NUMBER: 04332926

**LIVERPOOL VICTORIA
GENERAL INSURANCE GROUP LIMITED**

**REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2020

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LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

S Treloar

J M Dye

R O Hudson (resigned 14.05.21)

C W T Dinesen (appointed 01.01.20)

D A Torrance (appointed 01.01.20)

D J Larnder (appointed 01.01.20)

N C Peiris (appointed 01.01.20) (resigned 31.12.21)

R M Murison (appointed 01.01.20)

F K Dyson (appointed 01.01.20)

P Evans (appointed 14.05.21)

C G Townsend (appointed 29.04.21)

Company secretary

T A Beicken (appointed 01.01.20) (resigned 01.09.20)

C M Twemlow (appointed 01.09.20)

Registered office

57 Ladymead

Guildford, Surrey

England

GU1 1DB

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

STRATEGIC REPORT

1. Principal activities

Liverpool Victoria General Insurance Group Limited ('LVGIG' 'the Company') is a wholly owned subsidiary within the Allianz Holdings plc ('AZH') group of companies ('Allianz', 'the AZH Group') which is one of the largest general insurers in the United Kingdom measured by gross written premium. The Company is the holding company and management services entity for a group of companies ('LVGIG Group'), the principal purpose of which is to carry on general insurance business through both the direct and broker distribution channels. The primary sources of income for the Company arise from management charges as well as dividend income from subsidiary undertakings in the LVGIG Group.

On December 28, 2017, the LVGIG Group sold its Commercial broker lines renewal rights to Allianz Insurance plc as part of a wider deal which saw Allianz acquire 49% of LVGIG. As a result, the LVGIG Group ceased writing Commercial broker new business during 2018. As part of the same transaction, the LVGIG Group acquired from Allianz Insurance plc the renewal rights to the Allianz Insurance plc personal lines business for a cost of £1 million.

On December 31, 2019, Allianz acquired the remaining 51% of LVGIG to take full control.

As part of LVGIG's strategy to diversify and grow its business, on January 3, 2020 LVGIG purchased Legal and General Insurance Limited, ('LGIL') subsequently renamed as Fairmead Insurance Limited ('Fairmead'). Fairmead is a UK non-life insurance business which had been part of the Legal and General Group, focused on Home with a small but growing Pet business.

Fairmead is the seventh largest Home insurance provider in the UK with more than 2 million customers using various distribution channels including Direct, Brokers, Managing General Agents (MGA's) and Independent Financial Advisors ('IFA's').

Towards the end of 2020, a subsidiary of LVGIG, Liverpool Victoria Insurance Company Limited ('LVIC') went live via a small number of brokers with a new Home offering. In addition, Home Legal and Home Emergency business has been written by the LVIC Company's subsidiary Highway Insurance Company Limited ('HICO'). In 2021, LVIC will also be inviting the direct customers of Fairmead to move their policies to LVIC or its subsidiary HICO.

2. Results and dividends

The profit on ordinary activities for the year after taxation is £113,790,000 (2019: £93,104,000) as set out on page 29. The Directors have declared and paid a final dividend in respect of the year ended December 31, 2019 of £73,369,030 being a contractual liability to its parent Allianz Holdings plc (49%) and LV Capital Limited(51%). An interim dividend of £53,000,000 for 2020 was also declared and paid in the year (2019: £80,300,000). The Net Asset Value at December 31, 2020 was £961,168,000 up £305,421,000 the previous year as a result of a capital injection and subsequent investment in Fairmead (see page 13 for more information), as well as dividends received from subsidiaries.

At the time these financial statements are authorised, the Directors have proposed an interim dividend of £164m (representing £0.183 per share). The Directors of LVIC have proposed to pay an interim dividend of £164m to LVGIG at the time these financial statements are authorised.

3. Business review and developments

(a) Results and performance

The 2020 results for the Company show a profit before taxation of £113,536,000 (2019: £93,459,000).

2020 ended with the LVGIG customers holding 7.5m policies (2019: 5.7m). The increase was due to 1.8m policies from the Fairmead Home acquisition. Policies within LVGIG Group remained steady at 5.7m (2019: 5.6m). It is expected Fairmead direct policyholders will move to the LVGIG Group later in 2021.

Customer satisfaction measures remain strong within the LVGIG Group with our underlying Net Promoter Score ('NPS') score, representing the customers of LVIC and HICO at 72% (2019:72%). LVIC and HICO achieved 12th place out of 271 companies in the UK Customer Satisfaction Index announced in January 2021, and were 1st within the insurance sector.

During the year the LVGIG Group invested a significant amount in relation to the acquisition of the Fairmead Home business integration program, where it is expected the Personal Lines customers may continue with LVIC

STRATEGIC REPORT

3. Business review and developments (continued)

(a) Results and performance (continued)

and HICO. These costs included restructuring costs of £8m, as well as wider program costs in relation to IT infrastructure, telephony and staff training which will continue to be incurred until the program completes in 2023.

Although the Company recharges all expenses incurred to other LVGIG Group companies, it has maintained strong cost disciplines through controlling acquisition costs and operating expenses. Investment in staff, systems, marketing and infrastructure has continued to ensure that the Company is well placed to deliver its profitable growth strategy.

(b) Strategy

Our vision is to be Britain's best loved, achieving this through people centricity, maintaining our customer satisfaction and retention rates, and growth through outperformance particularly in the Motor market.

(c) Principal risks and uncertainties

COVID-19: The global pandemic was a new and significant source of uncertainty for the business in 2020. From the emergence of the risk at the start of the year, the LVGIG Group closely monitored the situation with senior leaders meeting on a regular basis to manage operational risk and responses. There was close alignment and interaction with Allianz to ensure the Company benefited from the wider Allianz response. Our values guided our decision making as the Company continued to work through this challenging time, with a focus on putting our people first and our customers at the heart of what we do. The key risks presented being both operational and financial which we are still continuing to actively monitor and manage on a regular basis as we did throughout the year. Consistent communications have and are continuing to take place across the organisation to keep all colleagues informed throughout this period of uncertainty. The risks largely came to the fore from late February 2020 onwards, as new information emerged and the government response developed.

The governments instruction for people to work from home where possible lead to fewer journeys being made and hence, as long as this persists, we expect to see ongoing reductions in employee travel expenses incurred by the Company and recharged to LVGIG Group companies.

Over the year we worked closely with our key suppliers to understand and manage the impact of COVID-19 on our supply chain. The reduced demand helped these companies to operate with their own diminished operational capabilities but equally put financial pressure on many of them.

Economic Environment: There was a global decline during 2020, in response to the global pandemic and the uncertainties placed on a number of industries and sectors, seeing bond yields falling over the year. For the UK, in particular UK Government Short dated bonds, rates sank into negative positions falling over 62bps to end at -0.04% reflecting the negative impacts of the pandemic and uncertainty as to whether the UK would achieve a meaningful Brexit deal. Whilst medium to long term bonds yields also fell but remained overall in positive territory. The Bank of England and UK Government took unprecedented steps in response to the pandemic and the need for businesses to lockdown, with base rates reduced to a historic low of 0.1% and financial support measures introduced in March extended throughout 2020 to support the economy.

Brexit: During much of 2020 there was an added risk of an unfavourable Brexit trade deal or no deal, where enforced tariffs and potential exchange rate movements could have led to higher claims inflation for the Company's subsidiary undertakings, although this is currently not materialising.

Business Change: The Company has continued on the journey it started in 2019, to embed key services such as IT, HR, Compliance and Internal Audit which transferred over to Allianz during 2020 giving the Company access to a wider pool of expertise. In July 2020 the LVGIG Group announced as part of the integration of the Fairmead home insurance business, a number of roles would be lost, as the business restructured and prepared itself for the future.

As the operational risks from COVID-19 emerged, LVGIG Group addressed this by enabling all employees to have homeworking capability. At the beginning of the crisis, work was prioritised to support claims payments and existing customers, particularly to renew their policies. Initially new business was a lower priority but was still able to be written. Business then focused on returning to usual albeit from home, with minimal impacts from COVID-19 being felt across the business infrastructure as the year progressed. Our offices remain open for the few key workers who undertake activities which cannot be completed outside of the office, or for anyone experiencing difficulties working from home. Any member of staff attending our offices is doing so on a voluntary basis, and we have actively worked throughout the year to make our offices COVID-19 secure. Alongside this we prioritise a **3**.

STRATEGIC REPORT

Business review and developments (continued)

(c) Principal risks and uncertainties (continued)

number of financial reporting and operational activities, as well as activities from other areas including IT which support these.

FCA: In September 2020 the FCA Pricing Study was published. The FCA having previously announced its intentions to intervene more actively in the workings of the market where it felt that the right outcomes are not being achieved for the consumer. The core proposal of the review is that there should be no price differential between new business and renewal customers, thus ending the practice of subsidising new business prices. This will result in requirements to change practice in product design, distribution and pricing. While the LVGIG Group considers that customer value is at the heart of the way it does business, as evidenced by market leading customer satisfaction and recommendation scores, there is a risk that such interventions, designed to address general market concerns, cause material cost to the Company by a reduction in value of its subsidiary investments.

Cyber Risk: The risk that the Company does not have a sufficiently robust strategy and control infrastructure in place to protect itself against, or to recover from, a cyber event. The high level of threat from the external environment continued during 2020. High profile data loss incidents demonstrate the serious impact such events can have. LVGIG Group operates a comprehensive cyber risk strategy which is designed to ensure that it continues to identify, assess and respond to the ever-changing threat of a cyber-attack. LVGIG works closely and collaboratively with a wide range of stakeholders across the Allianz Group including Allianz Technology to ensure our regulatory and governance requirements are met and risks are managed effectively. Further development of the group's cyber risk strategy, embedding of controls targeted at data privacy and enhanced mechanisms for monitoring and reporting mean, that although the external environment generates a heightened risk, we have adequate controls in place to monitor and react to these.

(d) Non-financial Key Performance Indicators (KPIs)

LVGIG Group Key Performance Indicators ('KPIs') are those that the directors judge to be most effective in measuring the group's performance in the year and assessing progress against our strategic objectives.

Best Loved

We aim to deliver excellent customer service levels, while consistently treating the customer fairly. We set challenging targets across a range of relevant opinion surveys to measure our 'Best loved' performance.

Demonstrating outstanding levels of customer service is one of the many ways that we aim to be Britain's Best Loved. We have met our targets for brand reputation, NPS and Broker satisfaction. As well as the results of opinion surveys, our performance is demonstrated through the many awards LVGIG has won during the year.

Brand and customer satisfaction metrics contribute to the annual bonus being awarded to relevant employees.

LVGIG employee engagement

We aim to have high LVGIG employee engagement and target levels in line with high performing financial services organisations (HPO).

Our people are a major differentiator for LVGIG and are crucial to delivering our best loved vision so it is important they are engaged with the work we do. The engagement metric has been updated to 'Sustainable engagement' which adds 'enabled' and 'energised' to traditional engagement. This measure drives greater insight enabling linkage analysis of engagement to business performance.

STRATEGIC REPORT
SECTION 172 REPORT

This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties. The Directors consider, both individually and collectively, they have acted in a way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year.

As a result of the governance structure of the AZH Group, of which the Company is a part, some strategic decisions and stakeholder interests (such as employees, community and the environment), are considered on a Group-wide basis by the Board of AZH or its committees ('Group Board') rather than at a subsidiary board level. In doing so, the Group Board has regard to the stakeholder interests relevant to the AZH Group as a whole and the interests relevant to subsidiary companies. Such decisions and stakeholder considerations are understood by the Company's Directors as they are Directors of the Group Board.

As a wholly owned subsidiary of AZH and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company's Board has regard to the overall strategy and direction of the AZH Group, including the impact on broader stakeholders of the AZH Group, when making decisions. Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business. The Board considers all decisions put to it from the perspective of the Company and has regard to the Company's stakeholders and their interests. This approach is embedded within the AZH Group governance structure. The Company's Board meets quarterly, with additional ad hoc meetings held if required.

Stakeholders

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

The Group Board and individual directors, being also Directors of the Company, engage with some stakeholders directly on specific issues which are relevant to the AZH Group or the Company. However, due to the size of the AZH Group and how it operates, stakeholder engagement more regularly takes place at an operational level. This allows the AZH Group to be responsive to stakeholder needs. The Group Board and the Company's Board receive information from across the business in the form of Board reports and presentations when making decisions and these reports include information about how stakeholder interests have been considered. This provides the Board with an overview of stakeholder interests when making decisions even where they have not engaged directly with those stakeholders themselves.

Employees

During the year Allianz Management Services Limited ('AMSL'), a subsidiary of AZH, provided administration services and staff to the Company and to other Allianz Group companies. The Company and AMSL have a high level of resources and expertise which benefit the LVGIG Group. The common approach across LVGIG Group to employee engagement is explained below.

Employee engagement

Engaged people are key to the success of the business, not only do they create positive experiences for our customers and colleagues but they help our business thrive. Each year LVGIG invites our people to complete a confidential survey to provide feedback via our employee survey. We recognise that the process of transformation we are currently working through, which will continue in the future, is challenging for our people and it is a key priority to ensure that employees are fully engaged as the LVGIG Group continues to develop during 2021.

Communication with our people is a key focus with various activities undertaken throughout the year supported by our intranet which contains regular updates for our people. The LVGIG executive management team conduct monthly webinars with the leadership team to share the LVGIG strategy and to provide updates on particular topical items of interest.

STRATEGIC REPORT

Employee engagement (continued)

Throughout 2020 as the COVID-19 pandemic progressed, regular meetings were held with the Senior Leadership team who cascaded updates to all our people. Each year there are a number of leadership conference meetings to further share important messages and facilitate discussion and debate. These messages are then cascaded throughout the organisation.

Since the beginning of COVID-19 and the resulting changes to the way in which we work, a variety of engagement methods have been introduced to keep our people informed and seek feedback on matters which affect them. This included regular COVID-19 update calls with senior leadership to provide updates on developments, explain decisions and discuss the impact of home-working on the workforce. These calls include a question and answer forum whereby employees are encouraged to ask questions directly to key speakers. The Board received regular updates about the impact of COVID-19 on employees and their well-being during 2020.

During 2020 employees took part in the annual Allianz Engagement Survey (“AES”) for the first time. The AES is a valuable employee feedback platform and an indicator of the AZH Group’s corporate culture.

The AES results include the Inclusive Meritocracy Index which covers aspects of leadership, performance, collaboration, trust and respect and the Work Well Index plus which is used to measure the quality of the work environment, practices and opportunities. Inclusive Meritocracy is Allianz’s target culture and can be described by three principles: 1) people and performance matter in a culture of inclusive meritocracy; 2) the ‘what’ and the ‘how’ count and define individual performance at Allianz; and 3) people attributes set the aspiration for how each employee should act. The Inclusive Meritocracy Index is derived from the responses to a specific series of questions asked in the annual AES.

The AES results are collated to give a Group-wide result and also broken down by division (such as focusing on engagement within each division, by lines of business and by team). The survey results are shared with the Group Board and action plans are developed based on the feedback received within teams. The LVGIG management team also review the results for LVGIG and its subsidiaries. The results of the survey are directly linked to the performance objectives of the Allianz Group Management Board, which includes senior leadership of the LVGIG business and the Company’s business. This approach ensures that people, matters of importance to them and the impact of decisions on the workforce are actively considered by the Board and the leadership team when making decisions.

Our People and Culture

Creating a diverse and inclusive culture remains at the heart of LVGIG’s strategy for the future. We have several initiatives to help achieve gender balance at all levels and are pleased to have made further positive changes throughout this year. We want employees to feel proud to work for the LVGIG Group, with policies and strategies that show how we respect and value individuality.

Flexible working

We understand the importance of having flexible working options available to all of our employees, particularly over the last year when many demands were being made on working parents and carers. To make sure that we are evolving our approach and to keep encouraging talent to join the business, we have set up a working group to foster a flexible working culture. Our aim is to encourage more uptake in flexible working options, especially amongst men who currently only make up a small proportion of those benefiting from flexible working patterns.

Reward and recognition

We are committed to making sure our people are rewarded fairly through regular review of our pay levels to ensure they are competitive with market rates. We pay all our employees at least the Living Wage Foundation rates of pay. In addition to basic pay, all our employees participate in an incentive scheme which is structured around both individual and business performance. The Company employees automatically become members of the money purchase pension scheme, My LVGIG Savings Plan, when they start working for us.

STRATEGIC REPORT

Reward and recognition (continued)

We understand that the needs of our employees are different, so through our flexible benefits platform we give all employees the opportunity to select the benefits most suited to their individual needs and lifestyles.

Wellbeing

We understand the importance of our people's wellbeing particularly in the current circumstances where employees are being asked to adapt to new work-life balances. We already had many initiatives in place through our wellbeing support programme. The LVGIG Wellbeing program has been running weekly webinars covering a variety of topics including Burnout, Stress, Breathing, Mediation and Sleep. Over the last year we have recruited more champions from across the business to support activities and to make sure that wellbeing days are held at each office for people to discuss and share experiences. We are aware of the importance of supporting our people's mental health. Our Mental Health First Aid is available to anyone in the business in need. Our mental Health First aiders are available on a confidential basis if and when a member of the business wants to make use of them. We have continued to train and increase the numbers of Mental Health First Aiders and now have more available across our sites.

Customers

Customer centricity is fundamental to the LVGIG Group business strategy "putting our people first and our customers at the heart of what we do". During the pandemic, the LVGIG Group's focus was on maintaining high levels of service to and supporting our customers. LVGIG Group went to great lengths to support its customers, suppliers and communities through what was undoubtedly a difficult time for many.

A number of initiatives were put in place to support customers, including establishing the Green Heart Fund, where funds were set aside to enable refunds to car insurance customers who were struggling financially and needed our support the most. Administration and cancellation fees were also waived, payment holidays were introduced across a number of products and free enhancements to policies were provided to customers who worked for the NHS or were key workers.

In 2020 LV General Insurance Group, was ranked as the number 1 insurer in the Institute of Customer Service UK Customer Satisfaction Index for the fourth consecutive time and LVGIG Group Broker division was awarded the prestigious ServiceMark Accreditation from the Institute of Customer Service. A key method of engaging with our customers across our business is the Top Down Net Promoter Score (TDNPS). The TDNPS is an important indicator that our customer centric culture is embedded within the organisation. We ask our customers and those of our competitors for honest and anonymous feedback and then benchmark the results. During 2020 customer satisfaction measures remained strong within the LVGIG Group with our underlying TDNPS score on LVGIG which represents the customers of the Company and its subsidiaries at 72%. These results are a KPI for the Company and the results are shared with the Board so this information can be considered when making decisions.

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

During 2020, following a Board effectiveness review, the Group Board established a new Customer and Conduct Committee which is responsible for overseeing customer conduct matters including customer relationships, engagement and culture for the AZH Group, including the Company. The Customer and Conduct Committee receives reports on a variety of matters including reports from the LVGIG Group businesses. The Customer and Conduct Committee reports into the Group Board on all matters, ensuring that the Directors are aware of customer engagement metrics to factor into decision making.

STRATEGIC REPORT

Suppliers

Proposed significant supplier contracts, either strategic or by reason of size and significance, which are relevant to the Company, are considered by the Board following initial meetings and negotiations by procurement and commercial teams, and direct engagement with senior management. Suppliers are required to comply with the AZH Group's Vendor Code of Conduct, which ensures certain standards are met in relation to ethics, labour and the environment. In addition, the sourcing process itself is governed across the AZH Group by adherence to requirements laid out in the Allianz Global Standard for Procurement via the Local Procurement Standard.

The Group Board assumes responsibility for approving and overseeing procedures to effect significant contracts and for their ongoing monitoring and performance assessment. As a consequence, the Group Board gives due consideration to significant intended supplier arrangements, their suitability and ability to meet the AZH Group's requirements and the ease with which a productive and mutually beneficial working relationship can be established and maintained with each supplier.

The Supplier Relationship Management team has been set up in procurement specifically to assist teams across the AZH Group with the management of supplier relationships by creating a framework of best practise controls and governance, and by supporting the business in managing significant supplier relationships. The team works in conjunction with our safeguarding functions such as Protection and Resilience, Information Security and Data Privacy. This ensures continued protection and continuity of services for our customers. The collaboration ensures we are able to effectively manage supply chain risks such as Brexit and Covid-19.

In addition, relationships are built with suppliers at an operational level with senior management fostering partnerships and relationships with insurance aggregators, brokers, reinsurers and suppliers of the LVGIG Group. These relationships are managed on a day to day basis by various relationship teams, having daily contact with key suppliers and Brokers. Feedback is monitored through the Broker NPS, renewal rates, supplier feedback and the willingness of suppliers to do business with the LVGIG Group.

During the year, LVGIG went to great lengths to support its suppliers and communities through what was undoubtedly a difficult time for many. Extra financial support was given to key suppliers severely affected by the lockdowns, including bodyshops, breakdown drivers and home contractors.

Regulators

Guidance, policy statements, Dear CEO letters, Dear CRO letters, reports and other forms of publication issued by the regulators of the Company's subsidiaries from time to time are examined and discussed by the Board and taken into account when considering matters for approval. In addition, the Group Board carefully considers and takes into account any letters received by the AZH Group from the regulators in relation to the Company or the LVGIG Group with such correspondence being tabled for discussion at relevant Group Board meetings. For example, the Periodic Summary Meetings ('PSM') letter following the annual risk assessment by the PRA and the firm evaluation letter from the FCA which cover regulated entities within the LVGIG Group. The Board's executive and Non-Executive Directors have regular direct contact and dialogue with the regulators, giving them an understanding of the regulators' requirements and intentions, which will then be brought into discussions of the Board. Other engagement methods with regulators include regular meetings and responding to regulatory market reviews. The AZH Group prides itself on maintaining a candid and transparent relationship with all of its regulators. Any reviews or changes required as a result of regulatory updates or recommendations are considered and the implementation of recommendations is owned and overseen by the Group Board or subsidiary Board, as appropriate. This ensures that regulatory matters are of key importance with a top-down approach led by the Group Board.

Shareholder

The Company has regard to the interests of Allianz Holdings plc, its immediate shareholder and the wider Allianz SE Group when making decisions. The Company's strategy is aligned with and complementary to the Allianz strategy and Allianz SE strategy. Allianz SE nominate a non-executive Director to the Board of the Company. This Director was N Peiris to 31 December 2020. A new Allianz SE representative non-executive Director was nominated and will be formally appointed during 2021, following regulatory approval. This ensures that the Company is aligned with and considers the views of the ultimate shareholder, Allianz SE, when making decisions, while also remaining independent from the ultimate shareholder.

STRATEGIC REPORT

Community and the Environment

The Allianz SE Group global Environmental, Social and Governance ('ESG') strategy aims to make Allianz SE Group a leader in sustainability. Allianz SE Group focuses on promoting the transition to a low-carbon economy, social inclusion and ensuring the integration of ESG into all aspects of the business. LVGIG has undertaken its own initiatives during the year in the area of ESG such as supporting the LVGIG Group network repair centres to become carbon neutral by investing in greener energy supply contracts, comprehensive monitoring routines and implementing ongoing training and a behavioural change program. Allianz is fully committed to environmental, social and governance principles and consideration of our impact in these areas is an important part of Company and Group Board discussions.

LVGIG undertakes its own initiatives in its communities, which complement the activities of the AZH Group. For example, LVGIG's new partnership with the England and Wales Cricket Board (ECB) allows us to continue our involvement in cricket, which we know plays such an important role in boosting communities, positive wellbeing and inclusiveness. In 2020 we launched the #Funds4Runs Community Fund cementing our commitment to help local cricket clubs and communities recover from the financial implications of the COVID-19 pandemic. It will also support some of the ECB's priorities – promoting ethnic diversity, cricket for women and people with disabilities, as well as grassroots cricket.

BOARD DECISION-MAKING

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

The Board continues to review its processes to ensure that a formal analysis is carried out of how material decisions that it is required to approve will impact the Company's key stakeholders groups. New reporting templates are being developed and rolled out to further improve the quality of Board reporting, ensure consistency and ensure that stakeholder considerations are properly incorporated into all Board reports.

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

During the year the Directors took the following principal decisions:

DIVIDEND

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

Stakeholders: *Shareholders, customers, regulators*

In April 2020 the Board recommended the payment of a final dividend in respect of the year ended December 31, 2019 which arose from a contractual liability between the new parent (Allianz Holdings plc) and the Company's former parent. In December 2020 the Board approved the payment of an interim dividend to its sole shareholder, Allianz Holdings plc. In approving the payment of both the final dividend and the interim dividend during the year, the Directors considered the impact on the Company and the views of its stakeholders. Amongst other things, the Directors considered the needs and views of the Company's shareholder and its ultimate parent company, Allianz SE, who require dividends to be paid to ensure the long term success and viability of the Allianz SE Group as a whole. In addition, while the Company is not itself regulated, the Board took into account the regulatory environment and the views of its Regulators in paying a dividend in the current economic climate, including ensuring the dividend was prudent from a regulatory perspective. The interests of wider stakeholders such as customers and policyholders were also considered. These stakeholders need the Company and the AZH Group as a whole to maintain a reputation for high standards in decision making and to hold sufficient capital to meet its requirements to them in the long term. After considering these factors, together with other considerations when paying a dividend, the Directors concluded that the payment of the dividends would promote the success of the Company for the benefit of its members.

STRATEGIC REPORT

PRICING STRATEGY AND PRACTICES REVIEW

Section 172 considerations: *maintaining a reputation for high standards, fostering relationships with customers and suppliers*

Stakeholders: *customers, regulators*

During the year the Board considered the pricing strategy and practices across the LVGIG group to ensure fair pricing practices. The Board agreed that there should be an external review to obtain independent external advice on whether practices were fair, customers were treated fairly and whether a customer centric culture was embedded within the LVGIG Group. The Board discussed the completed external review, focusing on the interests of different types of customer. It was agreed that the Board would continue to have oversight of the implementation of recommendations from the review during 2021 to ensure a strong customer centric culture and fair pricing practices, which are of prime importance to the Company and its regulated subsidiaries.

INTEGRATION OF THE FAIRMEAD INSURANCE LIMITED GROUP

Section 172 considerations: *interests of employees, fostering relationships with customers and suppliers, maintaining a reputation for high standards, likely consequences of any decision in the long-term*

Stakeholders: *employees, customers*

Following on from AZH's acquisition of Fairmead on December 31, 2019, LVGIG acquired the business of Fairmead from AZH in early January 2020 in consideration for issuing additional shares. Following the acquisition of Fairmead, LVGIG and its subsidiaries have undertaken work to integrate the business into their own operations. The project is ongoing and is a key strategic initiative for the LVGIG Group as a whole and is part of the LVGIG Group's transformation and diversification strategy. The Board has overseen the integration and focused on ensuring that the interests of its employees within both LVGIG and the Fairmead businesses were considered, including ensuring appropriate consultation with and support to employees impacted by the transition to LVGIG. The Board has also focused on customers and the impact on them, including ensuring that customers are treated fairly. The integration is part of the long-term strategy of Allianz and the Company and as such the Board considered the long-term consequences of decisions made in this long-term strategic project.

OTHER DECISIONS

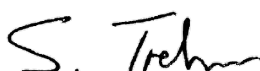
Section 172 considerations: *likely consequences of any decision in the long-term; promoting the success of the company, interests of customers and other stakeholders*

Stakeholders: *shareholder, regulator, policyholders/customers*

During the year the Directors considered the solvency position of the Company including an assessment of the impact of COVID-19 on the Company and its solvency. The operational and business impacts were assessed and the interests of policyholders were considered. The Board was satisfied that the Company could continue to operate and satisfy solvency and capital requirements.

The Company has reported against The Wates Corporate Governance Principles for Large Private Companies which contains further information regarding the governance of the Company, how the board makes decisions for the long term success of the Company and its stakeholders. That Corporate Governance Report can be found on pages 18 to 24.

On behalf of the Board



S Treloar
Director

June 9, 2021

DIRECTORS' REPORT

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

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

Stakeholder engagement

Details of how the Board has had regard to the need to foster the Company's business relationships with suppliers, customers, employees and other stakeholders and the effect of that regard on the principal decisions taken by the Company's Board is contained in the section 172 statement on page 7 to page 12 of the Strategic Report and in the "Stakeholder Relationships and Engagement" section contained in the Corporate Governance Report on page 25.

Directors and their interests

The Directors of the Company who were in office during the year are shown on page 3.

N C Peiris resigned as a Director of the Company with effect from December 31, 2020.

Following the year-end, on April 29, 2021 C Townsend was appointed as a Director of the Company. On May 14, 2021 R O Hudson resigned as a Director and Chair of the Company and P Evans was appointed as a Director and Chair of the Company. Details regarding the change of Chair of the Company are included in the Corporate Governance report on page 18.

Results and Dividends

The results for the year are set out in the Strategic Report on page 4.

On 20 April 2020 the Company declared and paid a final dividend in respect of the year ended December 31, 2019 of £73,369,030.

On 9 December 2020, an interim dividend of £53,000,000 was approved and paid in respect of the year ended December 31, 2020 (2019: 80,300,000).

At the time these financial statements are authorised, the Directors have proposed an interim dividend of £164m (representing £0.183 per share). The Directors of LVIC have proposed to pay an interim dividend of £164m to LVGIG at the time these financial statements are authorised.

Share capital

On 1 January 2020, the Company issued 242,000,000 ordinary shares of £1 each to, Allianz Holdings plc in consideration for the transfer to the Company of 36,999,999 ordinary shares of £1 each in Legal & General Insurance Limited (now Fairmead Insurance Limited).

Financial Instruments

The Company's policies in respect of financial instruments are given in note 2 to the Financial Statements.

DIRECTORS' REPORT

Streamlined Energy and Carbon Reporting (SECR)

We fulfil the statutory requirements for Streamlined Energy and Carbon Reporting which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 / SECR Regulations, 'Large' companies' are required to report their annual emissions in their Directors' report.

Liverpool Victoria General Insurance Group Limited Streamlined Energy and Carbon Reporting statement covers the reporting period January 1, 2020 – December 31, 2020 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.

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

'Location Based' Method

The total energy consumption for 2020 was 6,502,491.91 kWh equating to 1,469.501 tCO₂e

Carbon intensity: Emissions of tCO₂e/full-time equivalent during 2020 was 0.34 tCO₂e

However, for the company's purchased electricity, the strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above 2020 total energy consumption, the company has sourced a total of 1,656,109.00 kWh of REGO backed (zero emission) electricity.

'Market Based' Method

The total energy consumption for 2020 was 6,502,491.91 kWh equating to 715.322 tCO₂e

Carbon intensity: Emissions of tCO₂e/ full-time equivalent during 2020 was 0.17 tCO₂e

Qualifying information on the above data:

- This statement has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.
 - This is the Company's first year of Streamlined Energy and Carbon Reporting and as such 2019 data has not been recorded.
 - tCO₂e is the tonnage of equivalent carbon emissions generated by the various greenhouse gasses (carbon dioxide, methane, nitrous oxide etc.) each of which has a 'Global Warming Potential' factor that is included in the above emission figure.
 - An operational control approach has been applied to consolidate the above data.
 - This report covers Liverpool Victoria General Insurance Group Limited (04332926), Liverpool Victoria Insurance Company Limited (03232514), Highway Insurance Company Limited (03730662), Fairmead Insurance Limited (00423930) & LV Repair Services Limited (09366434).
 - Applied a 60% diesel & 40% petrol split for transport, where data didn't provide a break between fuel types.
 - Total full-time equivalent for use as the Metric are 4302.
 - Where required company car and staff business emissions has been calculated on an average car basis.
 - 3rd Party Purchased (landlord supplied) electricity & gas included using average sites (Sq ft) against where NUS hold the actual consumption. Landlord supplied electricity has been in most cases confirmed as renewable.
 - Scope 2 3rd Party Gas is relating to heat supplied by the landlord.
1. As per the GHG Protocol, a dual reporting method has been applied - 'Location Based' and 'Market Based'.
 2. Carbon intensity includes all Scope emissions in the calculation.

Energy Efficiency actions taken during the 2020 year:

LED lighting upgrades completed at LVGIG 2410 Aztec West, Bristol office

DIRECTORS' REPORT

Employee Statements

Equal Opportunities employment

The AZH Group firmly believes that its employees are at the core of achieving its business success and it ensures that policies and procedures are tailored to ensure it attracts, develops and retains a workforce with the right skills, knowledge and behaviours for the long-term future success of the business. We believe in equality of opportunity and are committed to creating an environment where people can succeed regardless of gender, age, race, disability, religion, sexual orientation or other protected characteristics. We champion environments where we celebrate inclusion.

We encourage the employment of talent from all backgrounds and abilities. As part of this, we have been granted 'Disability confident Employer' status by the Department for Work and Pensions. Provided a candidate has made the AZH Group aware they are disabled and meet the minimum requirements of a vacancy, they will be offered an interview for that position. The AZH Group is dedicated to ensuring it is providing reasonable workplace adjustments to meet specific needs for candidates and employees with disabilities at any point.

The AZH Group promotes diversity within its workforce and inclusion of all people. We promote the active participation of employees in staff networks to further improve inclusive working and recognise diversity. The AZH Group consults the expertise of membership organisations in the diversity and inclusion field and has signed up publicly to selected initiatives that promote diversity and inclusion. This includes a commitment to the aims of the Race at Work Charter across the AZH Group. Employee learning and development opportunities are provided including support for achieving professional qualifications through apprenticeship standards or direct study.

The AZH Group aims to ensure that the health, safety and wellbeing of its staff is a core responsibility of its managers. It monitors accidents, incidents and work related ill-health. It promotes good practice and initiatives for wellbeing and has particularly invested in the support for Mental Health through training of 'mental health first aiders' across the organisation.

Employee engagement and consultation

Employees are offered participation in a range of benefits, including participation in share schemes, which encourages involvement in Allianz SE Group's performance. Eligible employees also participate in a performance related bonus scheme which is linked to both the UK Group's and the individual's performance to incentivize achievement of the Company's strategic objectives.

Throughout the AZH Group, consultative procedures are in operation to enable management and staff to discuss matters of mutual interest. Staff are kept informed about the affairs of the AZH Group through departmental channels, team briefings or via consultative bodies and information disseminated electronically including via regular employee newsletters and ongoing intranet news.

Under the procedural agreement with the recognised trade union, the AZH Group holds regular meetings on topics raised by both parties; this is in addition to the normal negotiating processes.

Information regarding how the Board engages with and has regard to employee interests in decision-making is included in the section 172 statement.

The Company acknowledges that its employees are the core of its business success and it ensures that its processes, policies and procedures are tailored to ensure it attracts, develops and retains a talented workforce.

Our employment policy continues to include encouraging the employment, training and advancement of disabled persons and we have been granted 'Disability confident Employer' status by the Department for Work and Pensions. Job candidates will be assessed solely on their suitability for that position. The Company is dedicated to ensuring it is able to meet any specific needs for disabled candidates. As part of the Company's commitment, provided a candidate has made it aware they are disabled and meet the minimum requirements of the vacancy, they will be offered an interview for that position.

DIRECTORS' REPORT

Employee Statements (continued)

The Company employs persons regardless of their background or needs and promotes diversity within its workforce and inclusion of all people. We promote the active participation of staff to further improve inclusive working and recognise diversity. Employee learning and development opportunities are provided and such provision is accredited with the Investors in People Gold standard.

The Company aims to ensure that the health, safety and wellbeing of its staff is a core responsibility of its managers. It monitors and reports accidents and puts in place corrective actions to prevent reoccurrences.

The Company ensures that where occupational health or risk assessments identify workplace adaptations are required, these are implemented.

The staff are offered participation in a range of benefits, including participation in share schemes, which encourages involvement in the Allianz SE Group's performance as well as contributing to the wellbeing of staff.

Going concern

We are confident in the Company's ability to continue as a going concern, as the company continues to provide management services to the LVGIG Group companies and receive dividend income from its direct subsidiary undertakings. The business is well placed in managing the principal risks and uncertainties, has a good financial and sound capital position and is owned by one of the largest property and casualty insurers in the world. The Company is a holding company and a management service company for regulated insurance entities that have solid solvency positions, generating a dividend stream which flows to the Company and where there is a reasonable expectation that dividends will continue to be generated in future.

Directors' confirmations

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

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

Independent Auditors

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

Approved by the Board of Directors and signed by order of the Board



C Twemlow
Secretary
Liverpool Victoria General Insurance Group Limited
Company number 04332926

June 9, 2021

DIRECTORS' REPORT

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.


Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

By order of the Board



S Treloar
Director

June 9, 2021

DIRECTORS' REPORT

Corporate Governance Report

For the year ended December 31, 2020 the Company applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles") to its business and this report sets out how the Wates Principles were applied.

The Company is a wholly owned subsidiary of Allianz Holdings plc (AZH) and leverages the governance structure of the AZH Group with AZH also adopting and applying the Wates Principles.

The Company's Board and the Board of AZH ('Group Board') are comprised of the same Directors and these Boards apply the same group governance structure. As a result of the embedded Board structure, some matters are considered by the Group Board in relation both to the AZH Group and the Company. For example, where a AZH Group wide approach is applied. The statement below sets out how the AZH Group and where relevant, the Company has applied the Wates Principles.

Principle One – Purpose and Leadership

Purpose

LVGIG's vision in relation to the LVGIG business and brand is to be Britain's best loved. This strategy is achieved through people centricity, maintaining customer satisfaction and retention rates, and growth through outperformance in our chosen markets across the LVGIG business. The strategy is in harmony with and complements the purpose and strategy of the AZH Group (and wider Allianz SE group), which is "We secure your future" and "Simplicity Wins" respectively. The key strategic objectives of the AZH Group's strategy are to "Outperform, Transform and Rebalance." The Company aims to deliver attractive and consistent returns to its immediate shareholder and consequently to the wider Allianz SE Group.

Customers are at the heart of all businesses within the AZH Group with the customer centric culture embedded in the LVGIG business, with our purpose, "Helping you look after what you love". This clear focus on customers, enables outperformance. We benchmark ourselves against best in class to continually improve the customer experience and leverage learning from other parts of the Allianz Group business. We are transforming our IT and digital capabilities through an Allianz SE Group wide initiative. Throughout 2020, LVGIG has looked at a number of ways to be able to support its customers including establishing the Green Heart Fund (see Customer section page 9).

Values and Culture

The Board leads by example with a strong emphasis on integrity and honesty, evidenced by regular engagement and communication with the workforce. The AZH Group's (and LVGIG's) policies and practices help reinforce these values. The performance of all of our people is measured against attributes and success factors which are aligned with our values which for LVGIG are Be Brave; Inspire Trust; With Heart and Everyone Counts. Behaviours are also reinforced through both the Allianz SE Group policies, AZH Group policies and LVGIG policies applied throughout the business to which all employees must adhere.

To further enable a focus on the right culture and on customer and conduct issues, the Group Board established a new Customer and Conduct Committee during 2020. The Customer and Conduct Committee oversees these matters for all of the companies in the AZH Group, including the LVGIG Group and its subsidiaries. It receives reports and metrics relating specifically to the LVGIG Group and its subsidiaries in order to effectively oversee culture, customer and conduct issues for the LVGIG Group. This has ensured more focus on these matters which are of critical importance.

The Company takes extremely seriously the identification and prevention of fraud within the LVGIG business, at any stage of a customer's journey. This has a direct benefit to both our customers and the insurance industry generally.

DIRECTORS' REPORT

Principle One – Purpose and Leadership (continued)

Values and Culture (continued)

LVGIG's environmental, social and governance strategy is aligned with that of the Allianz Group strategy. Under this strategy Allianz believes that its role is to set the tone from the top on governance, culture and purpose and to be collectively responsible for the long-term success of the Company. For the Board, this means not only ensuring that the culture is fully embedded throughout the workplace, but ensuring that we comply with all relevant laws and regulations, have high standards of internal control and risk management, and that we run our business with integrity. The AZH Group promotes, amongst many other things: staff wellbeing; apprenticeships to support staff in retraining for digital roles, managing supply chains in a socially responsible manner, exploring opportunities for strategic growth through new product development and new channels of distribution, as well as providing excellent customer service proven through the market leading Net Promoter Scores (NPS).

Strategy

Strategy is developed on a Group-wide basis with common purpose, values and strategic goals set by the Group Board. The strategy is segmented by business line, including a strategy for LVGIG and its subsidiaries, which complements the wider AZH Group strategy. As a Director of AZH and LVGIG, the LVGIG CEO engages with the Company's Board, the wider Group Management Board and the LVGIG executive committee to develop the strategy for the LVGIG business. The Company's strategy is approved by the Group Board as a part of the AZH Group's strategy as a whole. The strategy is then implemented by the CEO for the LVGIG business. Following the integration of the business with Allianz, the Company's strategy is focused on the personal lines market including Home and Motor as well as continuing to invest in innovative new propositions. To achieve this, the LVGIG business strategy is to put our people first and our customers at the heart of everything we do. This is supported by being a broad and balanced business, creating strength through scale but remaining simple and efficient.

Throughout 2020, LVGIG focused a significant amount of time on creating an environment where our people, no matter their background, felt included and were able to succeed, and also ensuring that as a company we continue to operate in an ethical, environmentally friendly and sustainable manner. To achieve this, we appointed a new Corporate Responsibility Director who is responsible for delivering the strategy. Our progress in this area was also recognised as the AZH Group were awarded 16th place in the Inclusive top 50 UK Employers List in 2020.

Principle Two – Board Composition

Composition, Size and Structure

For the year ended December 31, 2020, the AZH Board comprised an independent non-executive Chair, five non-executive Directors (which includes one shareholder nominated Director) and three executive Directors. The executive Directors include both the AZH Group CEO (J M Dye) and the LVGIG CEO (S Treloar). This composition is considered appropriate for the size and nature of the business, and provides the appropriate combination of skills, experience and knowledge required for the Board to carry out its responsibilities.

The roles of Chair and LVGIG CEO are separate and clearly defined. The non-executive Chair is responsible for the effectiveness of the Board, including facilitating objective debate to ensure effective decision-making. The LVGIG CEO is responsible for executing the strategy of the Company and the wider LVGIG business.

During 2020, R Hudson indicated his intention to step down as Chair in 2021 and a search for a new Chair was commenced. Following a comprehensive and transparent search overseen by the AZH Group Compensation and Nomination Committee, P Evans was selected to become the new independent non-executive Chair of the Company and the Group, subject to regulatory approvals. On May 14, 2021 R Hudson formally resigned and stepped down as Chair and Director of the Group and the Company and P Evans was appointed as Director and Chair of the Group and the Company. In addition, on December 31, 2020, N C Peiris, a non-executive Director, resigned from the Board. N C Peiris represented the ultimate shareholder, Allianz SE, and was replaced by a new non-executive Director, C Townsend, representing Allianz SE and was replaced by a new non-executive Director, C Townsend, representing Allianz SE on April 29, 2021.

DIRECTORS' REPORT

Principle Two – Board Composition (continued)

Balance and Diversity

The AZH Board is committed to increasing diversity across the business and the AZH Group operates a diversity and inclusion policy to encourage a more diverse and inclusive environment at all levels of the business.

In relation to the AZH Board, as at December 31, 2020, two of the nine members (22%) of the AZH Board were female. The composition of the AZH Board is the same as that of AZH. New appointments to the Company's Board are recommended by the AZH Group Compensation and Nomination Committee after consideration of the Board's composition in terms of its balance of skills, experience, length of service, knowledge of the AZH Group and wider diversity considerations. The Board recognises that its own membership is not as diverse as it could be and this will be taken into account as and when new directors are appointed to the Board, including when existing Directors come to the end of their term in office.

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

During the year, the AZH Group Compensation and Nomination Committee reviewed the Gender Pay Gap report. The Board approved the publication of the Gender Pay Gap report for 2020 which emphasises the approach of the Board to being an active and equal opportunities employer who promotes a workplace where everyone receives equal treatment regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability.

Effectiveness

Under the AZH Group corporate governance framework, the Board engages an external provider to carry out a Board effectiveness review every three years and in the intervening years there are annual Board self-assessment effectiveness reviews.

The reviews are led by the Chair in conjunction with the Group Chief Legal Officer and Company Secretary.

The Board completed an external effectiveness review at the end of 2019 with the results presented to the Board in early 2020. This review was described in the 2019 annual report of AZH. Many of the recommendations are relevant to the Company's Board due to the composition of the Board and the embedded governance framework. During the year the Company's Board has implemented changes which are relevant to the Company following the recommendations of the external effectiveness review. As a result of the Company being fully acquired by the AZH Group on December 31, 2019 and related integration work being undertaken, it was decided that the next Board self-assessment effectiveness review would be completed during 2021.

The Directors are provided with a comprehensive and tailored induction on joining the Board and regularly meet with senior managers across the business. In addition, at the beginning of 2020, following the acquisition of the Company by the Allianz Group, the non-executive Directors who were appointed to the Company's Board received a full induction in relation to the LVGIG business. This included visiting LVGIG sites in Bournemouth and Croydon and meeting with a number of senior executives and other employees within the LVGIG business to gain a detailed understanding of the business and to engage with LVGIG employees.

External advisors are invited to provide detailed updates and training on various topics as required in order to support ongoing professional development of the Directors.

Non-executive Directors have access to the Company Secretary and can take independent professional advice at the Company's expense.

DIRECTORS' REPORT

Principle Two – Board Composition (continued)

Effectiveness (continued)

During the year, the Directors received training by participating in deep dive sessions with management. The sessions cover updates on certain topics as well as discussion. The topics vary between those which focus on one area of the business and those which focus on the wider AZH Group. There were four sessions during the year and the following topics were discussed at each session:

- Session 1 : LVGIG Conduct Risk framework deep dive
- Session 2: Information Security; including awareness of cyber risks applicable to the UK Business and Tax Risks; Remuneration, focusing on reward, performance and the regulatory impacts on remuneration;
- Session 3: Risk Management in the Motor Insurance market; The internal model and its application to and uses in the business; and
- Session 4: Data Ethics and Artificial Intelligence; Cyber Risk focusing on the insurance policies and products of Allianz.

Principle Three – Director Responsibilities

Accountability

The AZH Board operates under a corporate governance framework that provides the required structure to enable prudent yet entrepreneurial management. A number of matters relating to the Company were reviewed by the Group Board during the year, however the Company's Board usually meets quarterly with ad-hoc meeting as appropriate. The agenda for each LVGIG Board meeting is considered by the Chair, LVGIG CEO and the Company Secretary to ensure that all regulatory and governance matters are considered appropriately. This ensures that the Board is accountable and can effectively carry out its responsibilities.

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

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

All Directors are expected to report any potential conflicts of interest. The Directors declare any actual conflicts of interest at Board meetings and the conflicts of interest register is reviewed. Where required, appropriate mitigations will be put in place, including where necessary a member excused themselves from a particular agenda item or decision to ensure the interests of the Company are not compromised.

Board Committees

The Board composition is aligned with the Group Board, as the Directors are common to both Boards, and so the Company leverages the governance structure of the AZH Group. The Group Board delegates certain activities to the Management Board (its principal executive committee), the Audit Committee, the Board Risk Committee, the Compensation and Nomination Committee, the Finance and Investment Committee and the Customer and Conduct Committee. Each of these committees (save for the Finance & Investment Committee) is chaired by a non-executive Director who provides constructive challenge and influence across the work carried out by those committees. The Finance and Investment Committee has one non-executive Director member who was appointed during the year following a recommendation from the most recent Board effectiveness review.

DIRECTORS' REPORT

Principle Three – Director Responsibilities (continued)

Board Committees (continued)

The Management Board is an executive committee and accordingly there are no non-executive directors as members of that committee. All of the Committees consider matters for the AZH Group as a whole and matters which pertain to a particular division or company, as required.

The Customer and Conduct Committee was created during 2020 to focus specifically on customer, conduct and culture issues following a recommendation from the recent Board effectiveness review. These matters were previously the responsibility of the Board Risk Committee. The new approach has ensured more focus on these matters which are of critical importance to Allianz and the Company. The Customer and Conduct Committee considers reports which focus specifically on these issues as they apply to the Company. The Customer and Conduct Committee considers reports which focus specifically on these issues as they apply to the Company and its subsidiaries.

Integrity of Information

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

There are formal and robust internal processes to ensure that the systems and controls in place are operating effectively, and that the Boards receive accurate, regular and timely information about the performance of the business.

Information provided includes financial information, review of actual performance against plan, strategy updates and market developments. Reports on matters such as investment performance, the customer including cultural indicators, risk and conflicts of interest are also considered by the Board.

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

Principle Four – Opportunity and Risk

Opportunity

The Group Board actively considers strategic opportunities as these are key drivers of the strategy to outperform in our chosen markets. In 2020 this included launching our digital, monthly subscription car insurance, Flow, and commencing the full integration of the Fairmead general insurance business with customer policies beginning migration into LVGIG Group Broker division. The continued use of artificial intelligence, machine learning and systems thinking to improve both efficiency of process and customer experience were instrumental in helping to deliver our highest ever position in the UK Customer Satisfaction Index and attain ServiceMark Accreditation from the Institute of Customer Service for LVGIG Group Broker division.

To support the development of artificial intelligence and machine learning strategy, we set up a new and exciting partnership with the University of Bristol beginning in 2019; in 2020 we have scaled this to include 16 full time LVGIG employees based within the university campus as part of our Data Science team as well as a focus on research via the sponsorship of two post-doctoral research associates.

DIRECTORS' REPORT

Principle Four – Opportunity and Risk (continued)

Risk

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

The Group Board's and the Board Risk Committee's responsibilities include strategy, strategic asset allocation, internal control and the overall operation of the AZH Group, including the Company. LVGIG's governance structure and oversight of risk management is delegated to the Group Chief Risk Officer ("Group CRO") and the Group Board Risk Committee.

The Board Risk Committee is responsible for oversight of risks both current and emerging that LVGIG faces. The Group CRO is supported by the Group Risk Department – a team of qualitative and quantitative experts. However, managers in the business units are responsible for managing risk in their own areas. Within the Company, this is managed by the Chief Risk Officer who is supported by the LVGIG Group Risk team.

To ensure that the Company is always prepared in a rapidly changing environment, it has a number of key risk management processes and policies that are implemented throughout the business units. These processes rely on a clear governance structure to enable effective risk management and culture.

Responsibilities

The Group Board terms of reference specify that, the Group Board is responsible for:

- Establishment and maintenance of the system of internal control
- Approval of new appointments to FCA/PRA Controlled Functions

The Board Risk Committee is responsible for reviewing and overseeing the system of internal control and risk management for the whole AZH Group, including the Company. As the Company's Board consists of the same Directors as the Group Board, the Company is able to effectively carry out its responsibilities with the Directors considering matters from the perspective of the AZH Group or the Company as appropriate.

The AZH Group's internal control framework is articulated in its approved governance and control policy.

The Group Board is able to make informed and robust decisions due to the risk management systems described in the Risk Policy. The Board Risk Committee monitors performance against the risk management systems through the quarterly Own Risk and Solvency Assessment updates which it receives and reviews. Any significant deviations from the policy or other issues identified with the risk management system are communicated to the Group Board or the Company's Board, as relevant, by the Board Risk Committee.

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

In relation to the objectives in the annual corporate plan, the Company aims to ensure that no event or combination of events is possible that will cause a variance in result which is not consistent with the stated risk appetite.

The Board Risk Committee is responsible for oversight of risks, both current and emerging, that the AZH Group faces. Mitigation activities are agreed by the Board Risk committee and issues, such as reputational risk events, are escalated and acted upon as appropriate. Risks are monitored by the Group Risk Department via the risk management systems in place.

DIRECTORS' REPORT

Principle Four – Opportunity and Risk (continued)

Responsibilities (continued)

The Company has established clear communication channels. Internally, risks are discussed and escalated to relevant AZH Group committees including Board Risk Committee. Externally our risk profile is outlined in the annual report and solvency and financial condition report of the Company.

During 2020, a new governance team was established, overseen by the Chief Legal Officer and Company Secretary, to support the Board and senior management in fulfilling their responsibilities in respect of the effectiveness of the AZH Group's system of governance.

A Governance and Control Committee consisting of senior leadership within the AZH Group, including from the LVGIG Group businesses, is in place to oversee the AZH Group's system of governance and seek assurance that the governance framework is appropriate and effective. The system of governance is subject to annual review to ensure it continues to provide for sound and prudent management of the business of the Company (with a Statement of Accountability being signed by the AZH Group Chief Executive Officer and AZH Group Chief Financial Officer and provided to the Allianz SE Group as part of its own governance review).

Principle Five – Remuneration

The AZH Group Compensation and Nomination Committee is responsible for reviewing compensation strategy and making recommendations to the Group Board on matters concerning the remuneration of the Directors and senior executives within the Company's business.

AZH Group Remuneration Strategy and policies ensure that remuneration of all employees is aligned to the performance of the business and adheres to its values and behaviours. Remuneration policy also ensures that reputational and behavioural risks to the Company and AZH Group from inappropriate incentives or arrangements are carefully considered and such arrangements are not put in place across the AZH Group.

During the year the Compensation and Nomination Committee met the requirements of its clearly defined terms of reference, which included reviewing and publishing the Gender Pay Gap Report for 2020. Other highlights included the introduction of a new Diversity and Inclusion Steering Committee to lead on workforce equality across the business and the significant progress made in increasing the percentage of females in senior management roles to the target of 40% set in 2018. In addition, diversity and inclusion training has been implemented for the whole of the workforce covering tools and techniques for calling out non-inclusive language and behaviours. This is planned to be delivered to the whole workforce by the end of 2021. This emphasises the approach of the Board to being an active equal opportunities employer which promotes a workplace where everyone receives equal treatment regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability.

Setting Remuneration

Compensation is set with reference to the AZH Group's Remuneration Policy (which contains malus arrangements) and to the compensation framework set up by Allianz SE's Group Compensation Committee. The Compensation and Nomination Committee determines total remuneration in relation to Directors (executive and non-executive) and senior executives. The Compensation and Nomination Committee seeks external input from specialist advisors on, for example, market trends and benchmarking. The Compensation and Nomination Committee also takes into account relevant UK regulatory guidance on remuneration. When setting the bonuses to be paid in respect of the 2020 financial year, consideration was given to market conditions following the impact of COVID-19. Different stakeholder groups such as customers and the shareholder were considered, including the Compensation and Nomination Committee being satisfied that customers had been protected, when determining appropriate levels of bonus payments.

DIRECTORS' REPORT

Principle Six – Stakeholder Relationships and Engagement

External Impacts

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

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

In our communities, LVGIG's new partnership with the England and Wales Cricket Board (ECB) allows us to continue our involvement in cricket, which we know plays such an important role in boosting communities, positive wellbeing and inclusiveness. In 2020 we launched the #Funds4Runs Community Fund cementing our commitment to help local cricket clubs and communities recover from the financial implications of the COVID-19 pandemic. It will also support some of the ECB's priorities – promoting ethnic diversity, cricket for women and people with disabilities, as well as grassroots cricket.

Throughout 2020 the Company focused a significant amount of time on creating an environment where no matter their background, employees felt included and were able to succeed, and also ensuring that as a company we continue to operate in an ethical, environmentally friendly and sustainable manner.

This was particularly relevant with the wellbeing support and financial security offered to all employees in response to the challenges of the COVID-19 pandemic.

Some of the activities in place to support this through the year were:

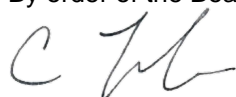
- An employee consultation forum is in place and support has been provided to enable this forum to become the main vehicle for Board and workforce direct engagement moving forward.
- Workforce engagement scores were reviewed regularly by the Board.
- Talent and succession planning was reviewed by the Board in 2020.
- Transformation Academy and Apprenticeships opportunities to re-train skills in digital, data and technology roles are increasing and building in innovative areas. In LVGIG currently, 83 colleagues are actively pursuing a professional qualification through one of our 12 apprenticeship standards, with skills ranging from insurance through to data and digital.

Stakeholders

The Company has a number of key stakeholders including: employees, customers, suppliers, its shareholder, the regulator and the wider Insurance industry and wider society.

Details of how the Company and its Directors engage with stakeholders can be found in the section 172 statement.

By order of the Board



C Twemlow
Secretary

June 9, 2021

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

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reduce expenditure of the Company and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit, senior management involved in the Risk and Compliance functions and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing correspondence between the Company and the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in relation to compliance with laws and regulations.
- Reviewing relevant Board and meeting minutes including those of the Risk Committee and attending all Audit Committee meetings.
- Reviewing the Company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by certain senior management.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 June 2021

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	Note	£000	£000
Investment income	4	113,559	93,458
Other income	5	286,678	222,571
Total income		400,237	316,029
Gross operating and administrative expenses	6	(286,004)	(222,410)
Net operating and administrative expenses	6	(286,004)	(222,410)
Finance costs		(697)	(160)
Total expenses		(286,701)	(222,570)
Profit before tax		113,536	93,459
Income tax credit/(expense)	10	254	(355)
Profit for the year		113,790	93,104
Total comprehensive income for the year		113,790	93,104

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Attributable to equity holders of the Company		
		Share capital £000	Retained earnings £000	Total equity £000
Balance at January 1, 2020		654,254	1,493	655,747
Profit for the year	23	-	113,790	113,790
Total comprehensive income for the year		-	113,790	113,790
Issue of share capital	22	242,000	-	242,000
Write back of excess dividend accrual	23	-	2,631	2,631
Dividends paid (ordinary shares)	23	-	(53,000)	(53,000)
		242,000	(50,369)	191,631
Balance at December 31, 2020		896,254	64,914	961,168

	Note	Attributable to equity holder of the Company		
		Share capital £000	Retained earnings £000	Total equity £000
Balance at January 1, 2019		654,254	64,690	718,944
Profit for the year	23	-	93,103	93,103
Total comprehensive income for the year		-	93,103	93,103
Dividends payable	23	-	(76,000)	(76,000)
Dividends paid (ordinary shares)	23	-	(80,300)	(80,300)
		-	(156,300)	(156,300)
Balance at December 31, 2019		654,254	1,493	655,747

The notes on pages 33 to 51 are an integral part of the financial statements.

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

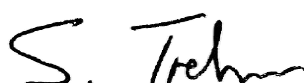
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

		2020	2019
	Note	£000	£000
Assets			
Intangible assets	11	7,006	-
Right-of-use assets	12	15,043	14,235
Investments in group undertakings	13	966,595	718,913
Current tax asset	18	4	-
Deferred tax asset	19	8	10
Prepayments and accrued income	14	11,599	10,173
Loans and other receivables	15	43,260	24,268
Cash and cash equivalents (excluding bank overdrafts)	16	1,040	31,333
Total assets		1,044,555	798,932
Liabilities			
Employee Share Save	21	233	-
Provisions	17	9,594	3,833
Current tax liability	18	-	353
Lease Liabilities	27	15,701	14,811
Trade and other payables	20	57,859	124,188
Total liabilities		83,387	143,185
Equity			
Share capital	22	896,254	654,254
Retained earnings	23	64,914	1,493
Total equity		961,168	655,747
Total liabilities and equity		1,044,555	798,932

The notes on pages 33 to 51 are an integral part of the financial statements.

These financial statements on pages 29 to 51 were approved by the Board of Directors.

Signed on behalf of the Board of Directors



S Treloar
Director

June 9, 2021

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 £000	2019 £000
Cash and cash equivalents at January 1	16	30,562	(232)
Cash flows arising from:			
Operating activities			
Cash generated (used in)/generated from operating activities	25	(7,298)	32,686
Interest income received	4	190	158
Finance costs		(697)	(160)
Income tax received/(paid)		(101)	(32)
Net cash flows generated from operating activities		(7,906)	32,652
Investing activities			
Investment in subsidiary undertaking	13	(5,682)	-
Dividend income received		126,369	80,300
Purchase of Property Plant & Equipment	12	(3,790)	-
Purchase of Intangible Assets	11	(8,178)	-
Net cash flows (used in) investing activities		108,719	80,300
Dividends paid		(126,369)	(80,300)
Short term lease payments		(351)	-
Principle elements of lease payments		(3,615)	(1,858)
Net cash flows (used in) financing activities		(130,335)	(82,158)
Net (decrease)/increase in cash and cash equivalents		(29,522)	30,794
Cash and Cash equivalents at December 31	16	1,040	30,562

The notes on pages 33 to 51 are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. General information

The Company is a company limited by shares domiciled and incorporated in England, United Kingdom. The Company is the holding company and management services entity for a group of companies ('LVGIG Group'). The companies within the LVGIG Group underwrite general insurance risks, including motor and household risks. All contracts of insurance are written in the United Kingdom, Republic of Ireland or the Channel Islands.

2. Accounting policies

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost basis. The functional presentational currency is British Pounds.

The preparation of the financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The Company has not used any significant estimates or judgements in preparing the financial statements in conformity with IFRS, except in the estimation of internally generated staff costs and the useful life of software (see IT Software below).

The principal accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Going concern

We are confident in the Company's ability to continue as a going concern, as the company continues to provide management services to the LVGIG Group companies and receive dividend income from its direct subsidiary undertakings. The business is well placed in managing the principal risks and uncertainties, has a strong financial, trading and capital position and is owned by one of the largest property and casualty insurers in the world. The Company is a management service company for regulated insurance entities which have solid solvency positions.

Consolidation

The financial statements present information about the Company as an individual undertaking and not about the LVGIG group. The Company has not prepared Group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006, as it is a subsidiary undertaking of an EEA parent, and is included in the consolidated financial statements of the ultimate parent Allianz SE.

Other income

Other Income comprises of the recharging of LVGIG Group costs through a management charge to each company in the LVGIG Group. The Company does not charge a margin on these items. The Company recognises other operating income when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the Company, and when it falls due for payment. Income from the recharged expenses is recognised in parallel with the recognition of the underlying expenses to be charged.

Other receivables

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

Impairment of financial assets

The Company has financial assets that are subject to the expected credit loss model. An expected credit loss ("ECL") provision is assessed as at the Balance Sheet date and the carrying amount of the receivables balance is reported after deduction of any ECL. The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the receivables multiplied by a 1 year **2**.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Accounting policies (continued)
Impairment of financial assets (continued)**

probability of default (“PD”), an appropriate loss given default (“LGD”) and the number of days to maturity as a fraction of a year (“tenor”).

Included within the Other receivable balance at December 31, 2020 is cash held at Allianz SE of £32m which has a AAA rating. Over all expected Credit losses under IFRS 9 for year end 2020 would amount £208k however as all balances due to the Company are intercompany debtors no deduction has been made.

IT Software

IAS 38 Intangible Assets requires the capitalisation of certain expenditure relating to software costs. Software costs are capitalised if it is probable that the asset created will generate future economic benefits. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense.

Software costs capitalised as intangible assets include computer application software licences and internally developed software. Internally developed software is capitalised as an intangible asset and amortised over its estimated useful life when it is either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable. Software intangibles are amortised using the straight –line method over their useful lives (3 to 5 years). The amortisation periods used are reviewed annually.

Software values are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on value in use calculations.

Cash and cash equivalents

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

For the purpose of the Statement of Cash Flows, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

Investments in Group undertakings

The subsidiaries are held in the Company’s Statement of Financial Position (‘SOFP’) at cost less any provision for impairment. An assessment of the realisable value is made at the year end and, if the Directors assess that there has been a permanent fall in that value below the carrying value, a provision is made to bring the carrying value down to the assessed realisable value.

From time to time there may be a transfer of value between the company’s subsidiary investments. Because this type of transaction is not covered by IFRS, a policy has been developed to account for such transfers in accordance with their substance and economic reality and not merely their legal form. When such transactions arise, the company recognises a transfer of value from carrying value of the investment in the transferor to the investment in the transferee. This transfer is considered to align with the principle in IAS 27 to measure investments at cost. The method applied recognises that the cost to the company of this transaction is a reduction in the value of its investment in the transferor; so, recognition of this value, as part of the investment in the transferee, is a cost method.

Impairment of Non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Trade and other payables

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

Operating lease payments

The costs in respect of operating leases are charged on a straight line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, rent free periods) is recognised as deferred income and is released over the life of the lease.

IFRS16 Leases

IFRS 16 'Leases' has been adopted on January 1, 2019 in accordance with the modified retrospective approach transitional provision, at January 1, 2019 with no restatement of comparative information or disclosures.

IFRS 16 results in all long-term leases being recognised in the SOFP, whereas such treatment only applied to finance leases under IAS 17. The LVGIG Group occupies leased premises for its head office and a small number of regional offices. On adoption of IFRS 16 the Company capitalised an additional £15.9m right of use assets and £15.6m lease liabilities related to its regional offices associated with operations. These amounts were determined using a weighted average incremental borrowing rate of 3.25%. At December 31, 2020 right of use assets held by the Company are £15m and lease liabilities are £15.7m.

In accordance with the transitional provision applied on adoption of IFRS 16 for leases previously classified as operating leases, the lease liability has been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The LVGIG Group has elected to measure the right of use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

The Company applied the following practical expedients applicable to initial adoption on transition to IFRS 16:

- For contracts in force prior to adoption of IFRS 16, only those that were identified as leases in accordance with IAS 17 and IFRIC 4 are identified as leases in accordance with IFRS 16.
- A single discount rate of 3.25% has been applied to the Company's portfolio of regional offices that were previously accounted for as operating leases.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.
- Hindsight has been used in determining the lease terms.
- The IAS 37 onerous contract review at December 31, 2018 was relied upon as an alternative to performing an impairment review on the opening right of use asset balance.
- Right-of-use assets and liabilities have not been recognised for leases ending during 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. Accounting policies (continued)

Accounting for assets held under leases and lease liabilities

Accounting policy from January 1, 2019

This policy is applicable to lease contracts entered into on or after January 1, 2019. For leases in force at January 1, 2019 the Company has applied the transitional provisions in IFRS 16.

The Company recognises a separate right of use asset to Property, plant and equipment and a separate lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the LVGIG Group's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is determined by obtaining interest rates from external financing sources for period's equivalent to the terms of the leases and rent review intervals. Lease payments used in the measurement of the lease liability comprise fixed payments including minimum prescribed rental increases at contractual rent reviews.

The right of use asset is subsequently depreciated on a straight line basis over the lease term. The lease liability is subsequently measured at amortised cost using the effective interest method. Depreciation charged on the right of use asset is recognised within other operating and administrative expenses and interest expense on the lease liability is recognised within Finance costs.

The lease liability is remeasured when there is a change in future lease payments arising from a change in Management's assessment of whether the Company will exercise a break clause or the rental payments are revised in accordance with a contractual rent review. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Significant accounting judgement - lease term

The regional offices are under shorter leases, with original contractual terms in the range of 5 to 15 years. The majority of leases have break clauses exercisable only by the lessee and no leases have extension options. Management has applied judgement in determining the lease terms for accounting purposes; periods beyond break clauses are included where management is reasonably certain not to exercise the break option.

Provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where some or all of a provision is expected to be reimbursed it is recognised as a separate asset when the reimbursement is certain.

Provisions are measured at the present value of the expenditure required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The expense relating to provisions is presented in the SOCI.

Onerous contracts

A provision is made for onerous contracts in which the unavoidable costs of meeting the obligation exceed the expected future economic benefits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. Accounting policies (continued)

Income tax expense

The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses and is recorded in the SOCI and represents the current year corporation tax charge. Corporation tax is charged on trading profits arising in the year.

Current income tax

Current income tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the SOFP date.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the SOFP date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. The ordinary shares entitle the holders to vote at meetings of the Company and grant the right to receive dividends as declared.

Dividend distribution

Dividends paid and payable are recognised in equity either when paid in cash or when they are appropriately authorised and are no longer at the discretion of the Company.

New standards and interpretations

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

3. Capital management and risk management and control

Capital management

The Company's capital risk is determined with reference to the requirements of the Allianz Holdings plc group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of dividends and the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2020 the Company had £961,168k (2019: £655,747k) of total capital employed. The Company invests in a three subsidiaries based in the United Kingdom. Its operations and those of its subsidiaries are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the UK.

Financial Risk

The key financial risk is that proceeds from the realisation of assets are insufficient to meet obligations as they fall due. The most important aspects of financial risk comprise market risk, credit risk and liquidity risk

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income. The Company is exposed to market risk through its investments in group undertakings insofar as the carrying amount exceeds the net asset value of the subsidiary and as such the investment is overstated.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when the fall due. The Company is exposed to credit risk through its amounts due from group undertakings and cash and cash equivalents. The Company deems this risk to be low as the amounts are due from fellow Allianz SE Group subsidiaries and as such are A rated and cash and cash equivalents which are A rated.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company is exposed to liquidity risk through its amounts due to group undertakings. Liquidity risk for the Company is mitigated as the Company largely finances through intercompany transactions and the Company has sufficient liquid assets to meet its liabilities as they fall due

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset in the Statement of Financial Position when the Company intends to apply a current legally enforceable right to offset. Master netting arrangements and cash collateral are utilised by the Company to minimise credit risk exposure.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements. An analysis is included of netting arrangements which meet the offsetting criteria within IAS 32 and are set-off in the Statement of Financial Position and also those which do not meet the criteria.

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. Capital management and risk management and control (continued)

Offsetting financial assets and financial liabilities (continued)

As at December 31, 2020	Amounts off set			Related amounts not off set		
	Gross assets	Gross liabilities off set	Net amounts presented	Financial Instruments	Cash Collateral received	Net amount
	£000	£000	£000	£000	£000	£000
Financial assets						
Total	-	-	-	-	-	-
	Amounts off set			Related amounts not off set		
	Gross liabilities	Gross assets off set	Net amounts presented	Financial Instruments	Cash Collateral pledged	Net amount
	£000	£000	£000	£000	£000	£000
Financial liabilities						
Bank overdrafts	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Amounts off set			Related amounts not off set		
	Gross assets	Gross liabilities off set	Net amounts presented	Financial Instruments	Cash Collateral received	Net amount
	£000	£000	£000	£000	£000	£000
Financial assets						
Derivative financial assets	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Amounts off set			Related amounts not off set		
	Gross liabilities	Gross assets off set	Net amounts presented	Financial Instruments	Cash Collateral pledged	Net amount
	£000	£000	£000	£000	£000	£000
Financial liabilities						
Bank overdrafts	-	-	-	-	-	-
Total	-	-	-	-	-	-

In accordance with IFRS 7 the collateral reported in the previous table is limited to the amount reported in the Statement of Financial Position for the associated financial instrument.

4. Investment income

	2020	2019
	£000	£000
Income from group undertakings		
- Dividend income	113,369	93,300
Fair Value through profit or loss assets		
- Interest income	190	158
	113,559	93,458

Dividend income in the Company represents dividends received from Liverpool Victoria Insurance Company, a subsidiary of the Company.

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

5. Other income	2020	2019
	£000	£000
Other income	286,678	222,571
	286,678	222,571

Other income for the Company is comprised of management services fees from its subsidiaries.

6. Other operating and administrative expenses	2020	2019
	£000	£000
Auditors' remuneration	34	47
Amortisation of intangibles	1,172	-
Depreciation on right of use assets	2,982	1,664
Administrative expenses, including management charges	281,816	220,699
	286,004	222,410

Included within Management charges are £44,180k (2019: £nil) of group recharges to LVGIG from AZH

7. Directors' emoluments

The aggregate amount of Directors' emoluments was as follows:

	2020	2019
	£000	£000
Emoluments (1)(2)	3,899	4,077

Amounts in respect of the highest paid director are:

Aggregate Emoluments (2)(3)	1,372	1,911
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(1) Emoluments include £209,099 of payments received during 2020 following the exercise of Restricted Stock Units under the Equity Incentive Scheme of the Company's ultimate parent company, Allianz SE.

(2) The emoluments also include £231,167 (2019: £126,000) of payments received during 2020 by the highest paid Director relating to the vesting of LVGIG Long Term Incentive Plans ("LTIPs"). That Director also has deferred payments of £335,667 receivable in future years from the vesting of the LTIPs which are not included in the aggregate emoluments figures.

(3) The highest paid Director was a member of the My LVGIG Savings Plan (a Group Self Invested Personal pension scheme) and during the year employer contributions of £13,938 were made into that scheme in relation to that Director.

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

There are no Directors accruing retirement benefits under a defined benefit scheme nor who are members of the Allianz Retirement Savings Plan (a Group Personal Pension Plan defined contribution scheme).

One Director waived their rights to receive emoluments (2019: This was also the case in 2019).

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020****8. Employee benefit expense**

	2020	2019
	£000	£000
Wages and salaries	157,064	116,890
Social security costs	14,381	9,336
Other pension costs	14,048	10,264
	185,493	136,490

Of the £185.5m (2019: £136.5m) employee benefit expense in the Company, £185.5m (2019: £136.5m) is recharged to other LVGIG Group companies, including Fairmead Insurance Limited who are employees of LVGIG.

Wages and salaries include charges for ongoing in flight long-term incentive plans (LTIPs) of £2.3m in 2020 (2019: £1.2m).

The number of employees during the year, including executive directors and the employees of Fairmead Insurance Limited, calculated on a monthly average basis, was as follows:

	2020	2019
	Number	Number
Member and customer contact	2,669	2,706
Administration	1,433	973
	4,102	3,679

9. Auditors' remuneration

	2020	2019
	£000	£000
Fees payable to the auditors for the audit of the Company	34	47
	34	47

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

10. Income tax credit/(expense)

a) Current year tax

	2020	2019
	£000	£000
Current year tax (credit)/expense		
Corporation tax in respect of current year	33	353
Adjustment to current tax in respect of prior years	(289)	12
Total current tax	(256)	365
Deferred tax		
In respect of the current year	2	-
In respect of prior years	1	(10)
Adjustments to deferred tax attributable to changes in tax rates and laws	(1)	-
Total deferred tax	2	(10)
Total income tax (credit)/expense	(254)	355

b) Reconciliation of tax

	2020	2019
	£000	£000
Profit before tax	113,536	93,458
Income tax expense calculated at 19.00% (2019: 19.00%)	21,572	17,757
Effect of income that is exempt from taxation	(21,540)	(17,727)
Effect of expenses not deductible for tax purposes	3	323
Adjustments recognised in the current year in relation to the current tax of prior years	(289)	2
Total income tax (credit)/expense	(254)	355

11. Intangible assets

	Software and licence costs	Total
	£000	£000
Costs		
As at January 1, 2020	-	-
Additions*	8,178	8,178
At December 31, 2020	8,178	8,178
Accumulated amortisation as at January 1, 2020	-	-
Amortisation of intangibles charges for the year	1,172	1,172
At December 31, 2020	1,172	1,172
Net book value at December 31, 2020	7,006	7,006

There were £7.0m intangible assets held by the company in 2020 (2019: £nil).

*Included within Additions are £4.2m of assets which are still undergoing development.

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

12. Right-of-use assets

	Right-of-use assets	Fixtures, fittings and IT equipment	Total
	£000	£000	£000
Cost			
At January 1, 2020	15,899	-	15,899
Additions	3,288	-	3,288
Lease adjustments*	502	-	502
At December 31, 2020	19,689	-	19,689
Accumulated depreciation			
At January 1, 2020	1,664	-	1,664
Provided in the year	2,948	-	2,948
Lease adjustment*	34	-	34
At December 31, 2020	4,646	-	4,646
Net book value at December 31, 2020	15,043	-	15,043

* Lease adjustment to right of use assets includes modifications to existing lease arrangements

	Right-of -use assets	Fixtures, fittings and IT equipment	Total
	£000	£000	£000
Cost			
At January 1, 2019	-	-	-
Additions	15,899	-	15,899
At December 31, 2019	15,899	-	15,899
Accumulated depreciation			
At January 1, 2019	-	-	-
Provided in the year	1,664	-	1,664
At December 31, 2019	1,664	-	1,664
Net book value at December 31, 2019	14,235	-	14,235

13. Investments in group undertakings

	2020 £000	2019 £000
At January 1	718,913	718,913
Investment in shares in subsidiary undertakings	247,682	-
Balance at December 31	966,595	718,913

On January 1, 2020, the Company invested in Fairmead Insurance Limited, purchasing it from Allianz Holdings plc, in exchange for a share issue of 242,000,000 ordinary shares at £1 par. In addition to this, upon the finalisation of the completion accounts from Legal and General Group, the completion value was agreed and consequently LVGIG paid an additional £5,682k in cash. The Company has examined the carrying value of its investment in subsidiaries and concluded that no impairment was necessary in regard to these investments (2019: £nil).

13. Investments in group undertakings (continued)

Key assumptions used in the impairment testing of investments in group undertakings

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

A review of the carrying value was undertaken for both LVIC and Fairmead to determine whether there was an indication of impairment or not. Where LVIC had sufficient head room no further action was required.

As the carrying value of Fairmead was below the net asset value a value in use assessment was completed using recent plan data. The original plans are comprehensively revisited on an annual basis in Q4 of each year, with reforecasts taking place at earlier intervals where these are felt necessary. All key functions in the business are involved in their development, before review and challenge by the Board. On carrying out this assessment, the plans were revisited to ensure that the original assumptions on acquisition still held true and, where better information was available, these were updated.

The plans assume average annual growth on net earned premium over the next 5 years of 5%, with a terminal growth rate of 0.5% applied to all cash flows thereafter. The terminal growth rate aligns with Allianz Group methodology and is designed to reflect the current level of economic uncertainty. In undertaking the impairment assessment, management has taken account of the competitive market environment, and the fact the plan assumes the market is not disrupted by competitor behaviour. The plan reflects expected benefits from the implementation of machine learning capability along with operational efficiencies which will help deliver a loss ratio of 61.4% by 2025. The Expense ratio decreases to 22.4% mainly due to the synergies expected from migrating the Fairmead business onto the LVGIG platforms.

The plan assumes good underwriting results but a modest investment income of c.£2-£3m interest received each year with less reliance placed on investment returns in the current economic climate that has emerged in the wake of the Covid-19 pandemic. These were determined in consultation with our inhouse Investment Management team. The forecast cash flows have been discounted at a pre-tax rate of 9.88%, consistent with the rate used elsewhere in the LVGIG group and as determined by Allianz, in line with the Cost of Capital requirement for UK operating entities using the Capital Asset Pricing Model. Both the terminal growth rate and the discount rate are consistent with the ranges observed in the market place.

Based on the above assumptions, the recoverable amount exceeded the carrying amount by £35m.

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

14. Prepayments and accrued income

	2020	2019
	£000	£000
Other prepayments and accrued income	11,599	10,173
	11,599	10,173

There were no prepayments and accrued income balances past due or impaired held by the Company in 2020 (2019: £nil).

15. Loans and other receivables

	2020	2019
	£000	£000
Amounts due from group undertakings	10,817	23,910
Other receivables	32,443	358
	43,260	24,268

There are no balances past due or impaired (2019: £nil). Other receivables balance includes £32m held in the Allianz SE Cash Pool (2019: £nil).

16. Cash and cash equivalents

	2020	2019
	£000	£000
Bank balances	1,040	-
Short-term bank deposits	-	31,333
Cash and cash equivalents per Statement of Financial Position	1,040	31,333
Non-offsettable Bank overdrafts (see Note 20)	-	(771)
Cash and cash equivalents per Statement of Cash Flows	1,040	30,562

17. Provisions

	2020	2019
	£000	£000
Balance at January 1	3,833	4,787
Provided during the year	8,871	254
Utilised during the year	(1,634)	(1,208)
Released during the year	(1,476)	-
Balance at December 31	9,594	3,833

Provisions provided during the year include the integration costs of the Fairmead business of £8,012k (2019:£nil) which is spread over two and half years, of which £7,740k remains at year end.

The amount also includes dilapidations on property of £1,276k (2019:£1,251k), a closed branch provision of £463k (2019:£nil) and an onerous contract of £120k (2019:£nil) .

18. Current tax asset/(liability)

	2020	2019
	£000	£000
Current tax at January 1	(353)	(20)
Amounts credited/(charged) to the Statement of Comprehensive Income	256	(365)
Tax paid during the year	101	32
At December 31	4	(353)

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

19. Deferred tax asset

	2020	2019
	£000	£000
The balance comprises temporary differences attributable to:		
Capital allowances	8	10
At December 31	8	10
Movements		
	£000	£000
Opening balance	10	-
- to profit or loss	(2)	10
Closing balance	8	10
The analysis of the deferred tax balance is as follows:		
	£000	£000
Deferred tax asset	8	10
Current deferred tax asset	1	2
	1	2
Non current deferred tax asset	7	8
	7	8

The valuation and recoverability of deferred tax assets relating to capital allowances in excess of depreciation is dependent on the availability of future taxable profits within the Company and AZH Group. Management forecasts currently support the future recoverability of the deferred tax asset recognised in the balance sheet as at December 31, 2020.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at 31 December 2019, its effects were not included in the 2019 financial statements. From April 01 2023 the rate will increase to 25%.

20. Trade and other payables

	2020	2019
	£000	£000
Bank overdrafts	-	771
Amounts owed to group undertakings	7,141	76,000
Accruals and deferred income	34,968	25,965
Other taxes and social security costs	4,480	3,880
Trade payables	9,840	17,572
Other payables	1,430	-
	57,859	124,188

Included within Amounts owed to group undertakings in 2019 is an amount of £76m relating to the contractual liability that the Company was required to pay on behalf of LVGIG Group. Accruals and deferred income includes £20m of LTIP payments (2019: £15m).

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

21. Employee Share Save	2020	2019
	£000	£000
Employee Share Purchase plan	233	-
	233	-

During the year, the Company offered employees the opportunity to participate in an Employee Share Purchase Plan ("ESPP"). The ESPP allows employees to purchase shares in Allianz SE by contributing a fixed monthly amount. The Company adds £1 for every £3 contributed by the employees. The terms of the scheme specify a qualifying period of employment and employees must contribute for the entirety of the plan to receive the matching amount. The maximum amount that can be invested is 8% of annual gross base salary (excluding any variable payments), up to a maximum investment of the GBP equivalent of €11,500. At the end of the plan period, there is a restriction period during which employees are entitled to all benefits arising from those shares but the shares cannot be sold. At the end of the plan period, the total (employee contribution plus matching amount) for each employee is used to purchase shares in Allianz SE and these are held in trust on behalf of the employee. As such, this transaction is a cash-settled share based payment and the vesting period has been completed by December 31, 2020. The total expense recognised in the year was £233k (2019:nil) and the corresponding provision held at year end is £233k (2019:nil).

22. Share capital	2020	2019
	£000	£000
Ordinary shares, allotted and fully paid		
896,253,822 (2019: 654,253,822) ordinary shares of £1 each	896,254	654,254

23. Retained earnings	2020	2019
	£000	£000
Balance at January 1	1,493	64,690
Profit for the year	113,790	93,103
Dividends payable	-	(76,000)
Write back of excess dividend accrual	2,631	-
Dividends paid and payable (ordinary shares)	(53,000)	(80,300)
Balance at December 31	64,914	1,493

24. Dividends per share

The following dividends were declared and paid in the year:

- £53m dividend payment on ordinary shares – 5.91p per share (2019: £80.3m – 12.27p per share).

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

25. Cash (used in)/generated from operating activities

	2020	2019
	£000	£000
Profit before tax	113,536	93,458
Investment income	(113,559)	(93,458)
Finance costs	697	160
Non-cash items		
Amortisation of intangible assets	1,172	-
Depreciation on right of use assets	2,982	1,664
Changes in working capital		
Increase in prepayments	(1,426)	(9,357)
(Increase)/decrease in loans and other receivables	(18,992)	892
Increase in employee share save	233	-
Increase/(decrease) in provisions	5,761	(954)
Decrease in financial assets (non-offsettable Bank overdrafts, see Note 20)	771	17,445
Increase in lease liabilities	4,856	-
(Decrease)/increase in trade and other payables	(3,329)	22,836
Cash (used in)/generated from operating activities	(7,298)	32,686

The Company classifies the cash flows for the acquisition and disposal of financial assets in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance and investment contracts, net of the cash flows for payments of insurance benefits and claims and investment contract benefits.

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

26. Related party transactions

The Company enters into transactions with key management personnel in the normal course of business. Details of significant transactions carried out during the year with related parties are as follows:

Key management personnel of the Company include all directors, executive and non-executive, and senior management (the Board and the Executive Committee). The summary of the compensation of key management personnel for the year is as follows:

	2020	2019
	£000	£000
Short-term employee benefits	1,576	2,845
Other long-term benefits	332	1,206
	1,908	4,051

The following transactions have taken place between the Company and other AZH Group companies:

	2020	2019
	£000	£000
Dividend received from LVIC	113,369	93,300
Dividend paid to LV Capital PLC	-	(80,300)
Dividend paid to Allianz Holdings plc	(53,000)	-
Dividend paid to Allianz Holdings plc (contractual liability 49%)	(35,951)	-
Management charge received by the company	286,678	222,571
Management charge paid by the Company	(44,180)	(36,418)
	266,916	199,153

Balances outstanding between the Company and other AZH Group companies:

	2020	2019
	£000	£000
Receivable from group undertakings	10,817	23,910
Payable to group undertakings	(7,141)	(76,000)
	3,676	(52,090)

27. Lease liabilities

	2020	2019
	£000	£000
Within 1 year	694	3,070
In 2 to 5 years	9,848	7,126
Greater than 5 years	5,159	4,615
	15,701	14,811

The costs in respect of operating leases are charged on a straight-line basis over the lease term. The value of any incentive received to take on an operating lease (for example rent free periods) is recognised as deferred income and is released over the life of the lease.

The lease liability is measured at amortised cost using the effective interest method. Depreciation charged on the right of use asset is recognised within Other operating and administrative expenses and interest expense on the lease liability is recognised within Finance costs.

LIVERPOOL VICTORIA GENERAL INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

28. Investments in subsidiary undertakings

All subsidiary undertakings have the same year end as LVGIG. The Company's investments in subsidiaries comprises:

Name	Incorporated and domiciled	Principal activity	Percentage of shares held*	Type of shares held
Highway Insurance Group Limited	England and Wales	General insurance holding company	100%	Ordinary
Highway Insurance Company Limited	England and Wales	General insurance	100%	Ordinary
Liverpool Victoria Insurance Company Limited	England and Wales	General insurance	100%	Ordinary
LV Insurance Management Limited	England and Wales	Management services company	100%	Ordinary
LV Assistance Services Limited	England and Wales	Road rescue	100%	Ordinary
LV Repair Services Limited	England and Wales	Repair services	100%	Ordinary
Fairmead Insurance Limited	England and Wales	General insurance	100%	Ordinary
Fairmead Distribution Services Limited	England and Wales	Management services company	100%	Ordinary
Buddies Enterprises Limited	England and Wales	General insurance	100%	Ordinary

*All holdings are direct holdings apart from Highway Insurance Company Limited, LV Repair Services Limited Highway Insurance Group Limited, Fairmead Distribution Services Limited and Buddies Enterprises Limited which are 100% held indirectly.

The registered address of all the above undertakings is 57 Ladymead, Guildford, Surrey, GU1 1DB.

Significant Restrictions

There are no significant restrictions in place between the subsidiaries listed above.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

29. Post year end event

At the time these financial statements are authorised, the Directors have proposed an interim dividend of £164m (representing £0.183 per share). The Directors of LVIC have proposed to pay an interim dividend of £164m to LVGIG at the time these financial statements are authorised.

30. Ultimate parent company

The ultimate parent company and ultimate controlling party is Allianz SE, a European multinational financial services company headquartered in Munich, Germany.

The immediate parent company is Allianz Holdings plc.

The immediate parent company is registered at the below addresses.

57 Ladymead,
Guildford,
Surrey,
England,
GU1 1DB

The largest company whose financial statements this Company is consolidated into is Allianz SE. The smallest company whose financial statements this Company is consolidated into is Allianz Holdings plc. With effect from December 31, 2019 LVGIG is a 100% owned subsidiary of Allianz Holdings plc.

The consolidated financial statements of Allianz SE are available to the public and may be obtained from:

The Company Secretary
57 Ladymead,
Guildford,
Surrey,
England,
GU1 1DB

or

Allianz
Königinstrasse 28
D-80802 Munich
Germany