Registered Number: 04332926

Annual Report and Financial Statements 2021

Liverpool Victoria General Insurance Group Limited

Directors:	C W T Dinesen	
	J M Dye	(resigned November 30, 2021)
	F K Dyson	
	P J Evans	(appointed May 14, 2021)
	C J Holmes	(appointed February 22, 2022)
	R O Hudson	(resigned May 14, 2021)
	D J Larnder	
	S C McGinn	(appointed February 22, 2022)
	R M Murison	
	T Robson-Capps	(appointed April 13, 2022)
	D A Torrance	
	C G Townsend	(appointed April 29, 2021)
	S Treloar	
	J R Vazquez	(appointed June 1, 2022)
Secretary:	C M Twemlow	
Registered office:	57 Ladymead, Guildford, Surrey, GU1 1DB	
Registered Number:	04332926	

Strategic Report

The Directors present their Strategic Report for the year ended December 31, 2021.

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 which is one of the largest general insurers in the United Kingdom measured by gross written premium. The Company is the intermediate holding company 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. LVGIG also acts as one of the Group's management services companies. The primary sources of income for the Company arise from management charges as well as dividend income from subsidiary undertakings in the LVGIG Group.

AZH and its subsidiary undertakings are collectively referred to as "Allianz" or "the Group". In July 2021, the Allianz business in the UK restructured its operations to form two new trading divisions, Allianz Personal and Allianz Commercial ("business" or "businesses"), supported by the integrated central functions of Operations, Finance, Risk and Human Resources. This structure aligns with the distinct needs of Allianz's individual customer groups and gives more scope to benefit from shared knowledge and scale whilst simplifying our business and enabling greater focus on specific segments. The services the Company provides to the Group, and the products sold by the Company's subsidiaries, fall within the scope of the Allianz Personal wider division, which also includes speciality products such as animal health and musical instruments. The CEO of Allianz Personal is S Treloar, who was previously CEO of the LVGIG Group of companies and is a Director of the Company.

Business review and Future prospects
The results for the year are set out on Page 33. The profit for the year amounted to £158,206,000 (2020: £113,790,000). The Directors have declared and paid an interim dividend in respect of the year ended December 31, 2021 of £164,000,000 to its parent Allianz Holdings plc (2020: £53,000,000).

Strategic Report (continued)

Business review and Future prospects (continued)

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 and was at the time, 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').

During 2021, the first tranche of Direct customers of Fairmead, were invited to start their policies with one of the Company's subsidiaries, Liverpool Victoria Insurance Company Limited ('LVIC') or Highway Insurance Company Limited ('HICO').

During the year the LVGIG Group invested a significant amount in relation to the Fairmead Home business integration program, where the Personal Lines customers are migrating to either LVIC and HICO.

These costs included restructuring costs of £45.3m, 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 operating expenses. Investment in staff, systems and infrastructure has continued to ensure that the Company is well placed to contribute to the LVGIG Group's profitable growth strategy.

Key performance indicators
The financial key performance indicators monitored by the Company are; profit before tax, dividends received and net asset value. The 2021 results for the Company show a profit before taxation of £164,046,000 (2020: £113,536,000) due to the Company receiving dividends of £164,000,000 (2020: £53,000,000). The Net Asset Value at December 31, 2021 was £955,374,000 (2020: £961,168,000).

Principal risks and uncertainties
The principal risk facing the Company is the performance of its subsidiary undertakings, as referenced in note 3.

Operational Risk: The COVID-19 pandemic had a small impact on the way in which the Group's business operated. Through the shared governance of the Group, any operational risk is deemed to be minimal and has been addressed by increasing homeworking capability and reducing non-priority activity.

Financial risk: The Company pays particular attention to credit risk and is exposed to credit risk through its amounts due from Group's undertakings and cash and cash equivalents. Capital management and cash flow remain material considerations at all times.

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. 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 SE Group including Allianz Technology to ensure our regulatory and governance requirements are met and risks are managed effectively.

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 performance in the year and assessing against our strategic objectives.

Best Loved
The LVGIG Group aims 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.

Strategic Report (continued)

Business review (continued)

Best Loved (continued)

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, Top Down Net Promoter Score (TDNPS) 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 (see Section 172 for more information).

Future outlook

No changes to the principal activity are anticipated in the foreseeable future. The uncertainties surrounding COVID-19 are noted in principal risks and uncertainties.

Rising inflation in the wider economy particularly driven by rising energy costs could also present business challenges due to impacts on customers of subsidiaries in the Group and general upward pressure on costs. The Company also recognises that in response to sanctions applied following the Russian military invasion of Ukraine, there is a risk of state sponsored cyber-attacks targeted at the UK. Through monitoring of emerging threats and identification of incidents, The Group's organisational structure enables a coordinated response to cyber events within its local and global Crisis Management framework. Subsidiaries in the Group have experienced falling valuations which could affect the ability to pay dividends to the Company. The Company does not anticipate that there is any significant risk that coupon and capital repayments will not be received as they fall due.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement

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

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

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

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

The Board has undertaken a review of its effectiveness during the year and is in the process of carrying out actions to further improve Board governance arrangements. Further information on the review is set out in the Corporate Governance report on pages 22 and 23.

<ins>Stakeholders engagement</ins>

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

The Board and individual Directors engage with some stakeholders directly on specific issues which are relevant to the Company. However, due to the size of the Group and how it operates, stakeholder engagement more regularly takes place at an operational level. This allows the Group to be responsive to stakeholder needs. As described above, the Company’s Board receives reports when making decisions 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.

<ins>Customers</ins>

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

The Company’s focus is on maintaining high levels of service to and supporting the Group’s customers. At the beginning of the year, as the country faced another lockdown, the Company and the Group’s employees continued to support the Group’s customers, suppliers and communities through what continued to be a difficult time for many.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

Customers (continued)
A number of initiatives set up in 2020 continued through 2021 to support the Group's customers, including the Green Heart Fund, where funds were set aside to enable refunds to car insurance customers who were struggling financially and needed Allianz's support the most. Administration and cancellation fees were also waived, payment holidays made available across a number of products and free enhancements to policies were provided to customers who worked for the NHS or were key workers.

LVGIG was recognised by Which? As Insurance Provider of the Year 2021 and as a recommended provider for Car, Home and Breakdown.

A key method of engaging with customers across the Group's business is the TDNPS. The TDNPS is an important indicator that a customer centric culture is embedded within the organisation. Customers and those of the Group's competitors were asked for honest and anonymous feedback and then benchmark the results. During 2021, customer satisfaction measures remained strong within the Allianz Personal businesses with the underlying TDNPS score on LVGIG which represents the customers of the Company and its subsidiaries (excluding Fairmead) at 76% (2020: 72%). These results are a KPI for the Company and the results are shared with the Boards so this information can be considered when making decisions.

In addition, on a day to day basis Allianz's customer-facing people engage with and foster relationships with them directly. Direct and indirect feedback received from the Group's 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 Boards for their consideration.

During 2020, the Boards established a Customer & Conduct Committee which is responsible for overseeing Customer & Conduct for the Group. The Customer & Conduct Committee receives reports on a variety of matters including reports from the Allianz Personal business, including customer dashboards and metrics which help the Boards to understand the customer experience. The Customer & Conduct Committee has considered a number of topics and projects during the year, focusing on the customer impacts and journey and ensuring that customers are put first. The Customer & Conduct Committee reports into the Boards on all matters, ensuring that the Directors are aware of customer engagement metrics to factor into decision making.

In addition, during 2021, an independent third party was engaged to undertake a review of culture across the Group, including how the culture supports the delivery of good customer outcomes. The Boards reviewed the findings and actions were put in place to ensure the Boards continue to receive relevant and useful information in relation to culture. A key focus is the development of a meaningful culture dashboard and scorecard to help the Boards better monitor culture, including metrics to measure customer outcomes.

Employees
During the year the Allianz Management Services Limited ('AMSL'), a subsidiary of AZH, provided administration services and staff to the Company and to other Group companies. LVGIG and AMSL have a high level of resources, including employees, and expertise which benefit the Company and the Group. Operationally, since the restructure, Group employee engagement is led by the Chief Human Resources Officer of the Group, with the Human Resources team working directly with the business divisions of Allianz Commercial and Allianz Personal. The approach taken across the Group to employee engagement is explained below, however there are some variances in methods used across Allianz Commercial and Allianz Personal, where appropriate or required.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

Employee engagement
Engaged people are key to the success of the business, not only do they create positive experiences for Allianz's customers and colleagues but they help its business thrive. Each year Allianz invites its people to complete a confidential survey to provide feedback. It remains a key priority to ensure that employees are fully engaged as Allianz continues to develop during 2022.

The Group seeks feedback and measures the engagement of employees in a variety of ways. Engagement methods include the Allianz Engagement Survey ("AES") and additional 'pulse' surveys sent to employees on various topics, town hall presentations (which have been virtual following the impact of COVID-19), newsletters via the employee intranets.

At the end of 2021, the first townhall with C J Holmes, the new CEO of the Group, was held for employees. This was a chance for employees to 'meet' C J Holmes virtually and learn more about his vision for the Group as a whole. These townhalls have continued into 2022, with other senior executives (including the CEO of Allianz Personal) invited to join Colm to discuss important topics and answer questions raised by employees.

Within Allianz Personal, communication with its people is a key focus with various engagement activities undertaken throughout the year supported by the intranet which contains regular updates for them. The Allianz Personal Executive Committee conduct monthly webinars with the leadership team to share the Allianz Personal strategy and to provide updates on particular topical items of interest. Throughout 2021 as the impacts on day to day working arrangements as a result of the COVID-19 pandemic continued, regular meetings were held with the Senior Leadership team who cascaded updates to their teams. 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.

As some of the employees return to the office under the new 'ways of working', including hybrid working, this will provide opportunities for more engagement between the Directors and employees. It is envisioned that in 2022 the Boards will hold the Board meetings at different office locations in the UK to facilitate more engagement with employees across the Group.

During 2021 Group employees took part in the annual Allianz Engagement Survey (AES). The AES is a valuable employee feedback platform and an indicator of the Group's corporate culture and levels of employee engagement. 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.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

Employee engagement (continued)
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 Boards and action plans are developed based on the feedback received within teams. The Allianz Personal Executive Committee also reviews the results for employees of Allianz Personal. The results of the survey are directly linked to the performance objectives of the AZH Executive Committee and key leaders within the Group, which includes senior leadership of the Allianz Personal businesses. This approach ensures that people, matters of importance to them and the impact of decisions on the workforce are actively considered by the Boards and the leadership team when making decisions. In 2022, LVGIG received a silver award from Stonewall's Workplace Equality Index, for its commitment and efforts to become an LGBTQ+ employer. Stonewall is the world's second-largest LGBTQ+ charity.

Our People and Culture
Creating a diverse and inclusive culture remains at the heart of Allianz's strategy for the future. Several initiatives are underway to help achieve gender balance at all levels and are pleased to have made further positive changes throughout this year. Allianz's aim is for its employees to feel proud to work for the Group and the Company, with policies and strategies that show how individuality is respected and valued.

Flexible working
Allianz understands the importance of continuing to have flexible working options available to all its employees, as they return to the Group's offices following the pandemic. To make sure that Allianz is evolving its approach and to keep encouraging talent to join the business, a working group has been set up to foster a flexible working culture. Allianz aims 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
The Group is committed to making sure that employees are rewarded fairly through regular review of pay levels to ensure they are competitive with market rates. Employees are paid at least the Living Wage Foundation rates of pay. In addition to basic pay, all employees participate in an incentive scheme which is structured around both individual and business performance. LVGIG employees automatically become members of the money purchase pension scheme, My LVGIG Savings Plan, when they start working for us. Allianz understands that the needs of its employees are different, so through a flexible benefits platform it gives all employees the opportunity to select the benefits most suited to their individual needs and lifestyles.

Wellbeing
Allianz understands the importance of people's wellbeing particularly in the current circumstances where employees are being asked to adapt to new work-life balances. Many initiatives are in place through the wellbeing support programme. The number of Mental Health First Aiders (MHFA's) have been increased to provide in person or virtual assistance to all employees on a confidential basis in their time of need to prevent as well as react to situations. The LVGIG Wellbeing programme has been running weekly webinars and awareness campaigns covering a variety of topics including Burnout, Stress, Breathing, Meditation and Sleep. The programme has also been extended to include champions and MHFA's from the Diversity and Inclusion employee networks to support the reach to employees from different communities or with particular characteristics. In addition, all employees have free access to the Headspace app which provides a range of support through articles, news, applications and techniques to support their wellbeing and mental health.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

Suppliers

Proposed significant supplier contracts, either strategic or by reason of size and significance for the Group, including those which are relevant to the Company, are considered by the Boards following initial meetings and negotiations by procurement and commercial teams, and direct engagement with senior management. In 2021, supplier contracts supported by summary documents were provided to the Boards to enable an informed decision to be made covering areas such as cost, risk and key clauses. Suppliers are required to comply with the 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 Group by adherence to requirements laid out in the Allianz Global Standard for Procurement via the Local Procurement Standard. As a consequence, in 2021, the Boards gave due consideration to significant intended supplier arrangements, their suitability and ability to meet the Group's requirements including but not limited to areas such as information security, data privacy, risk, protection and resilience. This ensures a productive and mutually beneficial working relationship can be established and maintained with each supplier.

The AZH Executive Committee assumes responsibility for approving and overseeing procedures to effect significant contracts and for their ongoing monitoring and performance assessment. Regular reports on supplier performance, inclusive of risks and issues, were made available to the Boards in the course of 2021 to ensure oversight of the critical suppliers.

The Supplier Relationship Management team has been set up in procurement specifically to assist teams across the Group with the management of supplier relationships by creating a framework of best practice controls and governance, and by supporting the business in managing significant supplier relationships and driving value throughout the life of supplier contracts. The team works in conjunction with the Group's safeguarding functions such as Protection and Resilience, Information Security and Data Privacy.

This ensures continued protection and continuity of services for Allianz's customers. The collaboration ensures the Group is able to effectively manage supply chain risks such as 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 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 Group.

During the year, Allianz went to great lengths to support its suppliers and communities through what was undoubtedly a difficult time for many. Examples include improved payment terms with the claims supply chain to support cashflow, some fixed fee services paid on instruction as opposed to at the end of a claim, contribution to PPE costs on a temporary basis, additional focus on resolving aged debt issues and additional engagement with suppliers to discuss the impacts of the pandemic.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

Regulators
While the Company itself is not regulated, its principal subsidiaries are authorised by the PRA and FCA. Regulations, guidance, policy statements, Dear CEO letters, Dear CRO letters, reports and other forms of publication issued by the Group's regulators from time to time are examined and discussed by the Boards and taken into account when considering matters for approval. In 2021, the Boards considered the Periodic Summary Meeting (PSM) letter from the Prudential Regulation Authority and received regular updates on progress in relation to findings from the regulator. This has informed the planned focus areas of the supervisory engagement by the Group throughout the year. The Boards also had oversight of the plan of action arising from the Financial Conduct Authority's Firm Evaluation Letter received during the year. The Boards' executive and non-executive directors have regular direct contact both through written correspondence and direct dialogue with the regulators, giving them an understanding of the regulators' requirements and intentions, which will then be brought into discussions of Boards and the Company's Board, as relevant. Other engagement methods with regulators include regular meetings and responding to regulatory market consultations and reviews. The Group prides itself on maintaining a candid and transparent relationship with all of its regulators. Any reviews or changes required as a result of regulatory updates or recommendations are considered and the implementation of recommendations is owned and overseen by the Boards. This ensures that regulatory matters are of key importance with a top-down approach led by the Boards. More information on the Boards' decision-making in relation to the FCA General Insurance Pricing Practices policy implementation is included below under principal decisions.

Shareholder
The Company has regard to the interests of its immediate shareholder, AZH and the wider Allianz SE Group when making decisions. The Company's strategy is aligned with Allianz's strategy and the Allianz SE strategy, adapted as necessary for the Company's markets. Allianz SE nominates a non-executive Director to the Boards. In 2021, the Boards received regular updates from the Allianz SE Group on key matters being considered within the wider group. Shareholder views have been factored into various decisions made by the Boards during the year including those on strategy, budget, investments, distributions and Board appointments. Following the resignation of the previous Allianz SE nominated non-executive Director at the end of 2020, a new Allianz SE representative non-executive Director, C G Townsend, was nominated and was formally appointed on 29 April 2021, following regulatory approval. The approach taken ensures that the Company is aligned with and takes into account the views of the ultimate shareholder, Allianz SE, when making decisions, while also remaining independent from the ultimate shareholder.

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

LVGIG undertakes its own initiatives in its communities, which complement the activities of the Group. LVGIG's partnership with the England and Wales Cricket Board (ECB) provides financial support through #Funds4Runs to help local clubs and communities get back on their feet and support some of the ECB's priorities – promoting ethnic diversity, cricket for women and people with disabilities, as well as grassroots cricket. During 2021, LVGIG committed to donating £100,000 for this programme. During the year, the Boards considered the ESG 2025 plan and 2021 objectives for each area working on ESG including the opportunities and risks climate change poses.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

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 stakeholder groups.

During 2020 and continuing into 2021, new reporting templates have been 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 included providing training sessions on writing Board papers to key contributors to the Board packs. The Board also undertook a review of its effectiveness during 2021, which included consideration of its decision-making processes, Board papers and overall governance. Further information regarding the review is included in the Corporate Governance Report on page 18.

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 June 2021 the Board recommended the payment of an interim dividend of £164m to its sole shareholder, AZH. In approving the payment of the interim dividend, the Directors considered the impact on the Company and the views of its stakeholders. Amongst other things, the Directors considered the needs and views of the Company's shareholder and its ultimate parent company, Allianz SE, who require dividends to be paid to ensure the long-term success and viability of the Allianz SE Group as a whole. In addition the Boards took into account the regulatory environment and sought the views of the Group's regulators in paying dividends. To ensure the dividend was prudent from a regulatory perspective, the Boards reviewed analysis and stress tests produced by the Risk function as well as assessing the solvency ratios post dividend-payment of the relevant Group companies. The interests of wider stakeholders of the Group such as customers and policyholders were also considered. These stakeholders need the Company and the Group as a whole to maintain a reputation for high standards in decision making and to hold sufficient capital to meet the Group's 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 interim dividend would promote the success of the Company for the benefit of its members.

Operational Resilience project
Section 172 considerations: maintaining a reputation for high standards, consequences of decisions in the long-term.

Stakeholders: customers, regulator

During the year the Boards reviewed and provided input into the operational resilience project for the Group, to ensure compliance with two new regulatory policies on Operational Resilience, issued jointly by the PRA and FCA. Implementing the policies on Operational Resilience in the right way for the business and its stakeholders is critical to the success of the Company and important in maintaining the Company's reputation for high standards and putting customers at the heart of the business.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

Board decision-making (continued)
The Boards and the Customer & Conduct Committee reviewed the Important Business Services identified by the business, which were the services which could cause intolerable levels of harm to the Group's customers, other stakeholders or the stability of the sector or viability of the firm where such services were disrupted. The Boards and Customer & Conduct Committee then reviewed the customer impact tolerances established by the business which sets levels beyond which point the Company determines that customers could suffer 'intolerable harm'. The Boards and the Committees considered definitions used by the business to determine what is intolerable, in relation to customers, and agreed how much was acceptable in the event of disruption to an Important Business Service until it would cause intolerable harm. The Risk Committee discussed the overall project, including the broader risks. The Customer & Conduct Committee undertook a review with a specific lens on the impact on customers, including vulnerable customers. These reviews were then discussed further by the Boards. In making the decision whether to approve the Impact Tolerances agreed within the business, matters considered by the Boards and its Committees included the definitions used by the business to determine what is intolerable, particularly in relation to customers. In addition, the Boards considered the impact on vulnerable customers and how such customers had been considered when determining the Impact Tolerances. The focus was now on embedding operational resilience.

FCA General Insurance Pricing Practices Policy Implementation
Section 172 considerations*:* maintaining a reputation for high standards, fostering relationships with customers and suppliers.

Stakeholders: customers, regulators

Following on from the external review of pricing strategy and practices conducted during 2020, the Boards continued to oversee the implementation of the recommendations from the external review and the implementation of the FCA General Insurance Pricing Practices Policy ('GIPP') during 2021. The Boards continued to have oversight of this critical area for the Company, in light of their duties to consider the long-term success of the Company, to ensure compliance with the new rules by the implementation deadline of 1 January 2022. The Customer & Conduct Committee and the Boards reviewed the potential customer impacts and the communications approach, which was based on customer research and feedback. The Customer & Conduct Committee reviewed the customer journey for a customer renewing their policy once the new rules came into effect and were satisfied that the impact on customers had been carefully considered throughout the project. The Boards considered the strategy in light of the implications of the new rules as well as the strengths of the business. In the context of the new rules, the Boards also reviewed the continuing processes being undertaken by the business to assess the fairness of the value of products to customers.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Statement (continued)

Board decision-making (continued)
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

The integration of the Fairmead business (acquired on December 31, 2019) continued to be an important strategic project for the Company and the Board. The project continues to be an important part of the long-term strategy and diversification of the Group, and as such the Board has considered the long-term consequences and impact on various stakeholders, including the Group's employees, suppliers and customers of decisions made in this long-term project. During 2021, the Board received regular updates on strategy and progress overall, including review of impacts on employees within the business and how the integration was being managed from an employee perspective. The Risk Committee received regular updates focusing on key risks to the project. The Customer & Conduct Committee reviewed the Group customer impacts as the project progressed and undertook a review of customer journeys, including considering the experience of vulnerable customers. Specific metrics on customer migration were reviewed to understand potential impacts on customers and how these were being managed. The Board through reports from its committees and its own oversight was keen to ensure that Group customers and employees transferring from the Fairmead business were treated fairly and their interests taken into account.

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

On behalf of the Board

S. Treloar

S Treloar
Director

June 17, 2022

Directors’ Report

The Directors present their report and the audited financial statements for the year ended December 31, 2021.

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.

Directors and their interests

The Directors of the Company who were in office during the year are shown on page 2.

R O Hudson and J M Dye resigned as Directors of the company with effect from May 14, 2021 and November 30, 2021 respectively. C G Townsend and P J Evans were appointed as Directors of the Company with effect from April 29, 2021 and May 14, 2021 respectively.

On December 1, 2021, C J Holmes joined the business as Group CEO. On February 22, 2022 he was formally appointed as a Director of the Company. On February 22, 2022, S C McGinn was appointed as a Director of the Company. T Robson-Capps was appointed as director on April 13, 2022 and J R Vazquez on June 1, 2022.

A qualifying third party indemnity was in force during the financial year and also at the date of approval or the financial statements.

Results and Dividend

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

No final dividend was approved in respect of the year ended December 31, 2021 (2020: £Nil).

During the year an interim dividend of £164,000,000 was approved and paid in respect of the year ended December 31, 2021 (2020: £53,000,000).

Following the year end, the Directors have proposed an interim dividend of £65,000,000, for the year ended 31 December 2022 (2020: £53,000,000). The dividend payment is subject to the receipt of dividends from its subsidiaries which are subject to either approval or non-objection from the Prudential Regulation Authority.

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 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' Report (continued)

Employees

Equal Opportunities
The Company 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 Company and the Group. The approach of the Company and the Group to equal opportunities are aligned. The Company believes 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 Group aware that they are disabled and meet the minimum requirements of a vacancy, they will be offered an interview for that position. The 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 Company 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.

Allianz and the Company 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 Group. Employee learning and development opportunities are provided including support for achieving professional qualifications through apprenticeship standards or direct study.

Employee engagement and consultation
Employees are offered participation in a range of benefits, including participation in share schemes, which encourages involvement in the 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 incentivise achievement of the Company's strategic objectives.

Throughout the Company, 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 Company 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 Company 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 on page 6 of the Strategic Report.

Directors' Report (continued)

Streamlined Energy and Carbon Reporting (SECR)
The Company fulfils 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. It should be noted that the information disclosed relates to several entities within the Group as this is the lowest level of granularity for which the data is collected. Information relating to the Liverpool Victoria General Insurance Group Limited and its subsidiaries is reported separately and can be found in the annual report. Information relating to Allianz Holdings plc and its subsidiaries is reported separately and can be found in the annual report. Information relating to the Company alone is not available and identical disclosure has been made by all Companies meeting the reporting requirement.

The Company's Streamlined Energy and Carbon Reporting statement covers the reporting period 1 January 2021 – 31 December 2021 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).

<u>'Location Based' Method</u>

The total energy consumption for 2021 was 7,558,823.81 kWh (2020: 6,502,491.91 kWh) equating to 1,626.702 tCO_2e (2020: 1,469.501 tCO2e)

Carbon intensity: Emissions of tCO2e / Full-Time Equivalent during 2021 was 0.393 tCO_2e (2020: 0.34 tCO2e)

However, the Company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above 2021 total energy consumption, the Company has sourced a total of 2,787,226.73 kWh of REGO backed (zero emission) electricity equating to 83.58% of total electricity use.

<u>'Market Based' Method</u>

The total energy consumption for 2021 was 7,558,823.81 kWh (2020: 6,502,491.91 kWh) equating to 1,064.100 tCO_2e (2020: 715.322 tCO2e)

Carbon intensity: Emissions of tCO2e / Full-Time Equivalent during 2021 was 0.257 tCO_2e (2020: 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 second year of Streamlined Energy and Carbon Reporting and as such 01/01/2020 - 31/12/2020 data has 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.
- Total Full-Time Equivalent for use as the Metric are 4135.

1. As per GHG Protocol Scope 2, a dual method has been applied - 'location based' & 'market based'. This method of emission calculation for electricity uses both the UK Government Grid Average Emissions Conversion Factors (dated 2021) and supplier specific conversion factors relevant to the generation.
2. Carbon intensity includes all Scope emissions in the calculation.

Directors' Report (continued)

Stakeholder engagement statement

Details of how the Board has had regard to the need to foster the Company's business relationships with suppliers, customers and other stakeholders and the effect of that regard on the principal decisions taken by the Company's Board is contained in the section 172 statement on page 5 of the Strategic Report.

Directors' responsibility to the auditors

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

Auditors

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

By order of the Board

C M Twemlow
Secretary

Liverpool Victoria General Insurance Group Limited

Registered Number 04332926

June 17, 2022

Directors' Report (continued)

Corporate Governance Report

For the year ended December 31, 2021 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 is the intermediate holding company for a group of subsidiary companies ('LVGIG Group').

The Company's Board meets alongside the board of directors of other key regulated entities and holding companies within the Group (collectively, the "Boards"), which are comprised of the same Directors and these Boards apply the same group governance structure as detailed in the Section 172 Statement on page 5. This governance framework ensures that the Company's Board also has regard to the overall strategy, interests and direction of the Group as a whole, when taking decisions and in its discussions. This includes considering the impact on the broader stakeholders of the Group, the environment in which the Company and the Group operate and the long-term success of the Company and the Group as a whole.

Principle One – Purpose and Leadership

<u>Purpose</u>

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

Customers are at the heart of all businesses within the LVGIG Group with the customer centric culture embedded in the Company's business, with the purpose, "Helping you look after what you love". Allianz benchmarks itself against best in class to continually improve the customer experience and leverage learning from other parts of the Group's business. The IT and digital capabilities within the Group are being transformed through an Allianz SE Group wide initiative.

<u>Values and Culture</u>

Allianz's values are embedded within its culture. The Boards (of AZH and the Company) have a strong emphasis on integrity and honesty, evidenced by regular engagement and communication with the workforce.

During 2021, an independent third party was engaged to provide an assessment and more detailed understanding of the current culture and its impact which it aims to align with the regulatory requirements. The review included, amongst other things, exploring how the culture supports the delivery of good customer outcomes, differences and similarities in culture between Allianz Commercial and Allianz Personal divisions of the business and whether the purpose is understood by employees. The review involved interviews, focus groups and a survey and the Boards received a report on the findings. The survey found that the culture was centred on caring for Allianz's people and customers. Detailed action plans were developed based on the findings, which will enable the Boards to lead on shaping the desired culture as the business grows and develops as a part of the Group, drawing on the positive cultural aspects across the Group.

Directors' Report (continued)

Corporate Governance Report (continued)

Values and Culture (continued)
The LVGIG Group's policies and practices define the values and its workforce must uphold the values through their attitudes and behaviours. The performance of all of employees is measured against attributes and success factors which are aligned with Allianz's values, which for LVGIG employees are Be Brave; Inspire Trust; With Heart and Everyone Counts.

When AZH (or its subsidiaries) procure products and services from third parties, it looks to do so in a sustainable manner and with an unwavering commitment to transparency within any supply chain. With respect to AZH's own products and services, they must always be clearly explained and honestly marketed. In 2021, Allianz introduced its sustainable procurement charter to encourage its suppliers to adopt and develop sound Environmental, Social and Governance (ESG) practices. For future tender assessments, Allianz will apply a minimum weighting of 10% to ESG factors, as a way of prioritising suppliers that have embedded sustainable and ethical practices within their organisation. Allianz will also provide support and education to suppliers who are invested in ESG. The insurer wants to partner with suppliers who understand the nature of the materials, products and services they're providing and the importance of protecting the environment and fostering good relations with their employees and their local communities.

The Company's environmental, social and governance strategy is aligned with that of the Group's 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 the Group complies with all relevant laws and regulations, has high standards of internal control and risk management, and that runs its business with integrity. The Group promotes, amongst many other things: staff wellbeing, apprenticeships to support staff in retraining for digital roles, managing supply chains in a socially responsible manner, exploring opportunities for strategic growth through new product development and new channels of distribution, as well as providing excellent customer service proven through the market leading Net Promoter Scores (NPS).

2021 marked the second anniversary of the collaborative partnership with the University of Bristol (UoB) which was started with the vision of igniting a multi-disciplinary relationship and to play a part in developing the data scientists of tomorrow. Over the course of two years, a wide range of links have been established across the university with more than ten Centres for Doctoral Training (CDTs) and institutes through actively collaborating in cutting-edge post-doctorate (2), doctorate (4) and masters (5+) level research. Support is also being provided to a number of student societies and are the exclusive sponsors of the Data Science Society. Since day one, UoB based data science team has grown from four to more than fifteen data scientists and engineers including talented UoB alumni which were recruited through internships and a breadth of careers events were supported or organised. Additionally, twenty employees started in the 2021/2022 academic year to undertake a co-developed MSc in Data Science.

LVGIG's partnership with the England and Wales Cricket Board (ECB) provides financial support through #Funds4Runs to help local clubs and communities get back on their feet and support some of the ECB's priorities – promoting ethnic diversity, cricket for women and people with disabilities, as well as grassroots cricket. LVGIG donated £100,000 for this programme in 2021.

Directors' Report (continued)

Corporate Governance Report (continued)

Values and Culture (continued)

In 2021, LVGIG also entered into a three year charity partnership with Family Action, who have been building stronger families since 1869. Family Action supports families and helps them build a brighter future. They do this by providing emotional, practical and financial support to more than 60,000 families every year through over 160 community-based and national services. LVGIG are supporting their FamilyLine service by donating £1 million over the duration of the partnership through corporate donations, fundraising and charity matching. FamilyLine is a free national helpline that provides support to adult family members on all aspects of family life issues via telephone, text message and email. People contact FamilyLine for many reasons, whether it's the need for emotional support or practical advice on any aspect of parenting or broader family issues. Since the start of the COVID-19 crisis, FamilyLine has seen a significant surge in families requiring ongoing support and need additional support to continue to allow their services to meet the growing demand. In addition, employees have signed up as trained volunteers to support callers through befriending activities.

Strategy

In line with the Company's purpose, the Board sets its strategy and oversees performance against the strategic objectives. Strategy is developed by the Board as part of the Group strategy with common purpose, values and strategic goals set by the Boards. The strategy is segmented by business line, including a strategy for LVGIG and its subsidiaries, which complements the wider Group strategy. The Company's Board has regard to any regulatory aspects or impacts of the strategy. As a Director of AZH and the Company's Board, the Allianz Personal CEO engages with the Company's Board, the wider AZH Executive Committee and the Allianz Personal Executive Committee to develop the strategy for Allianz Personal, including the Company's business.

The Company's strategy is approved by the Boards as a part of the Group's strategy as a whole and by the Company's Board as well as being discussed and agreed with the ultimate shareholder, Allianz SE, through the annual Strategic Planning and Strategic Dialogue processes. The strategy is then implemented by the CEO of Allianz Personal. The Company's strategy is focused, through its subsidiaries, on the personal lines business including Home and Motor as well as continuing to invest in innovative new propositions. To achieve this, the business strategy is to put people first and Allianz's customers at the heart of everything it does. This is supported by being a broad and balanced business, creating strength through scale but remaining simple and efficient.

Throughout 2021 Allianz focused a significant amount of time on creating an environment where employees of all backgrounds, felt included and were able to succeed, and also ensuring that Allianz continues to operate in an ethical, environmentally friendly and sustainable manner. Allianz's progress in this area was also recognised as LVGIG were awarded 6th place in the Inclusive top 50 UK Employers List in 2021, up from 16th place in 2020.

Principle Two – Board Composition

Composition, Size and Structure

For the year ended December 31, 2021, the Board of the Company comprised five independent non-executive directors, including an independent non-executive Chair, one shareholder nominated non-executive director and three executive directors. In 2022, following the appointment of C J Holmes, S C McGinn, T Robson-Capps and J R Vazquez to the Board, the executive and non-executive directorships have increased to four and eight respectively.

Directors' Report (continued)

Corporate Governance Report (continued)

Composition, Size and Structure (continued)
During 2020, R O Hudson indicated his intention to step down as Chair in 2021. P J Evans was selected to become the new independent non-executive Chair and a Director of the Company and was appointed with effect from May 14 2021, on receipt of regulatory approval. R O Hudson resigned from the same date. P J Evans' appointment was made through a robust selection process focussed around finding a candidate with sufficient board and chairing experience as well as relevant skills and competencies to make a meaningful contribution as the Chair of the Board. An independent executive search firm was engaged to support the selection process which was led by the outgoing Chair and overseen by the Compensation & Nomination Committee with the appointment being finally approved by the Board. The UK Group CEO and Shareholder nominated director also contributed to the selection process.

The executive Directors include the Group CEO (J M Dye to November 30, 2021) and the Allianz Personal CEO (S Treloar) as well as the Group CFO. On November 30 2021, J M Dye, stepped down as CEO of the Group and resigned as a Director of both AZH and the Company. J M Dye was replaced by C J Holmes as CEO of the Group. C J Holmes was appointed to the Company's Board subject to regulatory approval and whilst awaiting regulatory approval the Directors decided to formally approve his appointment as a Director with effect from February 22, 2022.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.

In July 2021, the Group was restructured creating two trading divisions, Allianz Personal and Allianz Commercial supported by the integrated central functions of Operations, Finance, Risk and Human Resources. Each trading division has a CEO to lead that part of the business: Allianz Personal is led by S Treloar and Allianz Commercial is led by S C McGinn. As a result of the restructure, S C McGinn was appointed as an additional executive Director of the Company (and AZH) during 2021. Whilst awaiting regulatory approval, the Directors decided to formally approve S C McGinn's appointment as a Director with effect from February 22, 2022. The revised structure of the Board better reflects the nature of the business of the Company and the Group.

Following the Group's governance effectiveness review which was undertaken during 2021, one of the non-executives was appointed as Senior Independent Director. The shareholder nominated Director resigned at the end of 2020 and the replacement Director C G Townsend was appointed April 29, 2021 on receipt of regulatory approval.

The Board approved the appointment of two independent non-executive directors, T Robson-Capps on April 13, 2022 and J R Vazquez on June 1, 2022 following a review of the structure, size and composition of the Boards, taking account of its current and future needs and the terms of existing non-executive directors. An external executive search firm was engaged to support the recruitment process, from a panel of firms considered for this purpose, and it recommended a long list of candidates. The Chairs of the Board and the Compensation & Nomination Committee and the Chief HR Officer reviewed the list of candidates and forwarded a short list to the Compensation & Nomination Committee which made recommendations to the Board for these appointments. The Group CEO and the shareholder nominated non-executive director also participated in the recruitment process.

The roles of the Chair (who is Chair of AZH and the Company) and both AZH CEO and Allianz Personal 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 Allianz Personal CEO is responsible for executing the strategy of the Company and the wider Allianz Personal business.

Directors’ Report (continued)

Corporate Governance Report (continued)

Diversity and Inclusion

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

Within the wider UK Group there is a diversity and inclusion steering committee sponsored by the Group CEO which develops the diversity and inclusion action plan. During the year, a member of the AZH Executive Committee was also on the Allianz SE Group Global Inclusion Council that develops and drives the global strategy. The Group had developed a range of employee-led networks across the business which specialise in and promote aspects of diversity and inclusion. These include working parents and carers, intergenerational working, gender balance, LBGTQIA+, cultural and ethnic diversity, disability and long-term health conditions and mental health.

As an example of the Group and Company’s commitment to equality of opportunity for all people, in 2021, the Group introduced a Transitioning at Work corporate rule. This was spearheaded by the Group’s employee Pride networks, in collaboration with Stonewall. The functional rule stresses the importance for Allianz to create a supportive environment and provides a level playing field for all employees. It also highlights the legal context and protections afforded to trans colleagues, and the key considerations and responsibilities to create a safe and inclusive environment for anyone who may be transitioning at work or considering transition.

In relation to the Board, as at December 31, 2021, two of the eight members (25%) of the Board were female. Following the appointment of S C McGinn, C J Holmes, T Robson-Capps and J R Vazquez to the Board in 2022, the composition has remained at 25% female. The composition of the Board is the same as that of AZH. New appointments to the Company’s Board are recommended by the Compensation & Nomination Committee after consideration of the Board’s composition in terms of its balance of skills, experience, length of service, knowledge of the Group and wider diversity considerations. The Board has taken account of its need to diversify the Board’s composition when new directors have been appointed.

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.

Other highlights included the introduction of a new Diversity and Inclusion Action Group to lead on workforce equality across LVGIG and the development of initiatives around recruitment and talent development to progress how the target of 40% of females in senior management roles is met by the end of 2023. In addition, all members of the Allianz Personal Executive Committee have entered into a reverse mentoring partnership with members of the ethnic diversity employee group and inclusion training has been developed 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 2022.

Effectiveness

Under the Group’s corporate governance framework, an external provider is engaged to carry out a Board effectiveness review every three years and in the intervening years there are annual Board self-assessment effectiveness reviews. The effectiveness reviews cover the Company, AZH and the other key entities in the Group.

Directors' Report (continued)

Corporate Governance Report (continued)

Effectiveness (continued)
During 2021 the Boards undertook a detailed Board governance effectiveness review led by the new Chair, P J Evans, in conjunction with the Company Secretary. An independent third party was engaged to assist with carrying out an effectiveness survey as part of this review. The effectiveness review was forward looking and focused on opportunities to enhance governance effectiveness following the completion and ongoing integration following the acquisitions of the LVGIG and Legal & General insurance business at the end of 2019. The review covered Board and Committee effectiveness in all respects and also considered some specific areas such as ensuring that customer outcomes and conduct risks were fully considered in all major decisions. The methodology used included a director skills assessment, director behavioural feedback, the effectiveness survey and reviews of terms of reference and agendas. The review concluded that there was a strong foundation for effective governance. Opportunities for improvement were identified and actions plans were drawn up with progress against the actions reviewed by the Board and relevant Board Committees quarterly. The effectiveness review also recommended the appointment of a Senior Independent Director and following the review, R M Murison was appointed to this role, subject to regulatory approval. Since the Board effectiveness review improvements have been implemented and the actions will continue to be tracked by the Board during 2022. A Board effectiveness survey is planned in 2022 to monitor progress. At the beginning of 2023 an independent externally led Board effectiveness review is planned, which will review the effectiveness of the Board and review embedding and progress against the actions from the 2021 review.

The Directors are provided with a comprehensive and tailored induction on joining the Board and regularly meet with senior managers across the business. During the year, P J Evans was appointed as Chair. P J Evans received a full induction, spending time getting to know the business from late 2020 onwards and ensuring a comprehensive hand over from R O Hudson. Induction for T Robson-Capps and J R Vazquez is presently underway with oversight from the Chair of the Board.

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 Chief Legal Officer and Company Secretary and can take independent professional advice at the Company's expense.

During the year, the Directors received training by participating in four quarterly deep dive sessions with management. The sessions cover updates on certain topics as well as discussion. The topics varied between those which focus on one area of the business and those which focus on the Group. There were four sessions during the year and the following topics were discussed at these sessions: Information Security deep dive on CBEST, a framework to test and improve financial sector cyber resilience; LV Internal Model proposal and its comparison to AZI's model; operational resilience including methodology for determining Important Business Services; review of the PRA's 2021 Climate Biennial Exploratory Scenario; credit risk and credit spread risk scenario; and capital allocation.

In November 2021, following an action arising from the Board governance effectiveness review, the Boards approved a new consolidated Board training plan. The new training plan reviews topics across the business, which are relevant to the Boards and individual Committees. The outcome will be a greater focus on different training topics and needs of the Directors, in addition to the deep dives which have in the past been predominantly risk based.

Directors' Report (continued)

Corporate Governance Report (continued)

Principle Three – Director Responsibilities

Accountability

The Board operates under a corporate governance framework that provides the required structure to enable prudent yet entrepreneurial management. The Board held quarterly meetings during 2021 as well as strategy days with members of the Executive Team. There were also a number of ad hoc meetings during the year. The agenda for each Board meeting is considered by the Chair, Group CEO, and the Company Secretary to ensure that all regulatory, business 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 Group policies are applied to the operation of the Company's Board and its function, as well as to the wider business. The Governance & Control Policy, are reviewed and approved annually to ensure continued relevance and effectiveness.

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

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

Board Committees

The Company's Board composition is aligned with the Boards, with the same Directors on these Boards. Board meetings for all of the entities with aligned Boards are held together with the Boards, with each Company discussing matters relevant to it and the Directors considering matters from the perspective of each relevant Company for each item on the agenda. The Boards and the Company's Board delegate certain activities to committees including the AZH Executive Committee, the Audit Committee, the Risk Committee, the Customer & Conduct Committee, the Compensation & Nomination Committee and the Finance & Investment Committee. All of these committees (save for the AZH Executive Committee and the Finance & Investment Committee) are chaired by a non-executive Director who provides constructive challenge and influence across the work carried out by those committees. The Finance & Investment Committee has one non-executive Director member and is chaired by the Group CEO. The AZH Executive Committee consists of the accountable executives for the Group. All of the Committees consider matters for the Group as a whole and matters which pertain to a particular division or Company, as required. However, there are also separate Allianz Commercial and Allianz Personal executive committees, which are sub-committees of the AZH Executive Committee, chaired by the respective CEOs, which are forums to help the divisional CEOs lead those divisions. In addition, during the year the terms of reference of each of the Committees was reviewed and updated to ensure the duties and authorities delegated to the Committees are clearly set out and defined and that the split of responsibilities between the Committees is clear. However, the Board retains ultimate responsibility for final decisions and each Committee recommends relevant matters to the Board for final approval.

Following the effectiveness review of the Boards which took place in 2021, culture matters were clarified as being the responsibility of the Boards, rather than being delegated to the Customer & Conduct Committee. The Customer & Conduct Committee continues to focus on customer outcomes and impacts and conduct issues.

Directors' Report (continued)

Corporate Governance Report (continued)

Integrity of Information
The provision of clear, precise and relevant management information and reports to the Boards 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. During 2020 and 2021 new Board reporting templates were rolled out, together with training, to ensure that papers are clear, consider relevant stakeholders, determine what action is required of the Board, contain an executive summary and conclusions. Further steps were also taken to ensure that Board packs are delivered to agreed timescales to allow sufficient time for Directors to review ahead of the meeting and facilitate useful debate and challenge at the meeting.

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

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

Principle Four – Opportunity and Risk

Opportunity

The Boards actively consider and approve strategic opportunities as these are key drivers of the strategy to outperform in Allianz's chosen markets. In 2021, this included launching the Electric Vehicle portal, and continuing the full integration of the L&G general insurance business with customer policies continuing migration into LVGIG Broker. The continued use of artificial intelligence and systems thinking to improve both efficiency of process and customer experience were instrumental in helping to attain ServiceMark Accreditation from the Institute of Customer Service for LVGIG Broker and Insurance Provider of the Year 2021 and as a recommended provider for Car, Home and Breakdown for Which.

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

Risk

At Allianz, the 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.

All businesses face uncertainty, and the challenge for management is to determine how much uncertainty Allianz is prepared to accept as it strives to grow stakeholder and customer value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value.

Directors’ Report (continued)

Corporate Governance Report (continued)

Risk (continued)
The Enterprise Risk Management (“ERM”) framework forms the overarching framework for management to deal with the various risks Allianz may encounter, as well as their tracking and monitoring. This also ensures that Allianz has processes in place by which it assesses the risks that it is exposed to, both on a current and forward-looking basis.

The Boards delegate oversight of risk management to the Chief Risk Officer (“CRO”) and the Risk Committee. The CRO is a member of the AZH Executive Committee and a standing invitee to the Boards. The CRO is supported by the Risk Department which provides qualitative and quantitative experts across Personal and Commercial insurance business units. However, managers in the business units are responsible for managing risk in their own areas.

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

Allianz has an internal control framework, which is articulated in the Board Governance and Control Policy. The Board is able to make informed and robust decisions due to the risk management systems described in the Risk Policy. The Risk Committee monitors performance against the risk management systems through the quarterly Own Risk and Solvency Assessment (ORSA) updates which it receives and reviews. Any significant deviations from the policy or other issues identified are communicated to the Board by the Risk Committee.

A Governance & Control Committee, overseen by the Chief Legal Officer and Company Secretary, supports the Board and AZH Executive Committee in fulfilling their responsibilities in respect of the effectiveness of the Group’s system of governance. The Committee consists of senior leadership within the Group to oversee the Group’s system of governance and seek assurance that the governance framework is appropriate and effective.

The Group’s 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 Group CEO and Group Chief Financial Officer and provided to the Allianz SE Group as part of its own governance review).

Responsibilities

The Board’s responsibilities include strategy, strategic asset allocation, establishment and maintenance of the system of internal control, approval of new appointments to key functions, and the overall operation of the Company.

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

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

Directors' Report (continued)

Corporate Governance Report (continued)

Responsibilities (continued)
The Company and Group have established clear communication channels. Internally, risks are discussed and escalated to relevant committees including the Risk Committee. Externally the risk profile is outlined in the annual report and solvency and financial condition report.

Principle Five – Remuneration

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

Group Remuneration Strategy and policies ensure that remuneration of all employees is aligned to the performance of the business and adherence to its values and behaviours. Remuneration policy also ensures that reputational and behavioural risks to the Company and Group from inappropriate incentives or arrangements are carefully considered and such arrangements are not put in place across the Group. The remuneration of employees below Allianz Senior Executive level is overseen by the AZH Executive Committee.

During the year the Compensation & Nomination Committee met the requirements of its clearly defined terms of reference, which included reviewing and publishing the Gender Pay Gap Report for 2021. The Boards approved the publication of the Gender Pay Gap report for 2021 which emphasises the approach of Allianz 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.

Setting Remuneration

Compensation is set with reference to the Group's Remuneration Policy (which contains malus arrangements) and to the compensation framework set up by Allianz SE's Group Compensation Committee. The Compensation & Nomination Committee determines total remuneration in relation to Directors (executive and non-executive) and senior executives. The Compensation & Nomination Committee seeks external input from specialist advisors on, for example, market trends and benchmarking. The Compensation & Nomination Committee also takes into account relevant UK regulatory guidance on remuneration. When setting the bonuses to be paid in respect of the 2021 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 & Nomination Committee being satisfied that customers had been protected, when determining appropriate levels of bonus payments. There is in place a robust process to assess how material risk takers have managed material risk events and risks therein, including conduct related risks, and influenced the risk profile of the business requiring adjustments to their remuneration. The Committee also oversees the design and operation of the performance management framework in meeting the Company's objectives and local regulatory requirements and suggests changes to it.

Principle Six – Stakeholder Relationships and Engagement

External Impacts

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

Directors' Report (continued)

Corporate Governance Report (continued)

External Impacts (continued)

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

Throughout 2021 the Company focused a significant amount of time on creating an environment where employees of all backgrounds felt included and were able to succeed, and also ensuring that Allianz continues to operate in an ethical, environmentally friendly and sustainable manner. This was particularly relevant with the continued 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:

- A plan for direct engagement of the Boards with the workforce, over and above current engagement methods employed, was reviewed and will be developed in 2022 as part of the new Allianz structure.
- An employee consultation forum is in place and support has been provided to enable this forum to become the main vehicle for Boards and workforce direct engagement.
- Workforce engagement scores were reviewed regularly by the Boards.
- Talent and succession planning was reviewed by the Boards in 2021.
- Six Diversity & Inclusion employee network groups are in place to support engagement, education and raising awareness on topics and issues and to provide a safe space for employee communities and allies to meet and share experiences. These span race, multi-culture & ethnicity, gender, generations, sexual orientation, disability & long-term health conditions and parents & carers.
- In 2021, 59 apprenticeships were created at various levels within Digital, Technology, Data and Systems Thinking for employees looking to upskill in their existing roles or re-skill in another business area. This also provided an opportunity for people to enrol on a Master's degree in Data Science.
- As part of an ongoing commitment to create positive social impact, a new ethical standard was launched for the LVGIG branded bodyshop repair network – Green Heart Standard covering commitments around sustainability, employee wellbeing, diversity & inclusion and development through apprenticeships

Stakeholders

The Company has a number of key stakeholders including: 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 M Twemlow
Secretary

June 17, 2022

Statement of Directors’ responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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

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

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

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

By order of the Board

S. Treloar

S Treloar
Director

June 17, 2022

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 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

- Obtaining the directors' going concern assessment and challenging the material assumptions made using our knowledge of the business and obtaining further corroborative evidence;
- Considering information obtained during the course of the audit that would contradict management's assessment of going concern (including the impacts of Covid-19); and
- Assessing the disclosures made by management in the financial statements and checking the consistency of the disclosures with our knowledge of the company based on our audit.

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 2021 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 UK companies Act (2006) requirements and UK employment law requirements, and we considered the extent

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

to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act (2006). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reduce the expenditure of the company. Audit procedures performed by the engagement team included:

- Discussions with the Board of Directors, management, internal audit, senior management involved in the risk and compliance function and the Company's legal function, including consideration of known or suspected fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Attending relevant meetings of the Audit Committee and reviewing minutes of the Risk Committee;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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
17 June 2022

Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	*2021*	*2020*
		£000	*£000*
Investment income	4	164,046	113,559
Other income	5	353,702	286,678
Total income		517,748	400,237
Gross operating and administrative expenses	6	(353,255)	(286,004)
Net operating and administrative expenses	6	(353,255)	(286,004)
Finance costs		(447)	(697)
Total expenses		(353,702)	(286,701)
Profit before tax		164,046	113,536
Income tax (expense)/credit	10	(5,840)	254
Profit for the year		158,206	113,790
Total comprehensive income for the year		158,206	113,790

Statement of Changes in Equity

For the year ended December 31, 2021

	Note	*Share capital £000*	*Retained earnings £000*	*Total equity £000*
Balance at January 1, 2021		896,254	64,914	961,168
Profit for the year	23	-	158,206	158,206
Total comprehensive income for the year		-	158,206	158,206
Dividends paid (ordinary shares)	24	-	(164,000)	(164,000)
		-	(164,000)	(164,000)
Balance at December 31, 2021		896,254	59,120	955,374

	Note	*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		242,000	-	242,000
Write back of excess dividend accrual			2,631	2,631
Dividends paid (ordinary shares)	24	-	(53,000)	(53,000)
		242,000	(50,369)	191,631
Balance at December 31, 2020		896,254	64,914	961,168

The accounting policies and notes on pages 37 to 56 are an integral part of the financial statements.

Statement of Financial Position

As at December 31, 2021

	Note	2021 £000	2020 £000
Assets			
Intangible assets	11	12,624	7,006
Property and Equipment	12	12,444	15,043
Investments in group undertakings	13	966,595	966,595
Current tax asset	19	-	4
Deferred tax asset	20	195	8
Prepayments	14	11,444	11,599
Other receivables	15	37,500	43,260
Cash and cash equivalents (excluding bank overdrafts)	16	233	1,040
Total assets		1,041,035	1,044,555
Liabilities			
Employee Share Save	17	226	233
Provisions	18	6,587	9,594
Current tax liability	19	6,456	-
Lease Liabilities	27	12,771	15,701
Trade and other payables	21	59,621	57,859
Total liabilities		85,661	83,387
Equity			
Share capital	22	896,254	896,254
Retained earnings	23	59,120	64,914
Total equity		955,374	961,168
Total liabilities and equity		1,041,035	1,044,555

The accounting policies and notes on pages 37 to 56 are an integral part of the financial statements.

These financial statements on pages 33 to 56 were approved by the Board of Directors on June 17, 2022 and signed on its behalf by:

S. Treloar

S Treloar
Director

Liverpool Victoria General Insurance Group Limited

Registered Number 04332926

Statement of Cash Flows

For the year ended December 31, 2021

	Note	2021 £000	2020 £000
Cash flows arising from Operating activities			
Cash generated from/(used in) operations	25	9,305	(6,947)
Interest income received		46	190
Finance costs		(447)	(697)
Short-term lease payments		(518)	(351)
Income tax received/(paid)	19	433	(101)
Net cash generated from/(used in) operating activities		8,819	(7,906)
Cash flows from Investing activities			
Investment in subsidiary undertaking		-	(5,682)
Dividend income received		164,000	126,369
Purchase of Property and Equipment		(404)	(3,790)
Purchase of intangible assets	11	(7,566)	(8,178)
Net cash generated from investing activities		156,030	108,719
Cash flows from financing activities			
Dividends paid	24	(164,000)	(126,369)
Principle elements of lease payments		(2,930)	(3,966)
Net cash used in financing activities		(166,930)	(130,335)
Net decrease in cash and cash equivalents		(2,081)	(29,522)
Cash and cash equivalents at January 1	16	1,040	30,562
Cash and Cash equivalents at December 31	16	(1,041)	1,040

The accounting policies and notes on pages 37 to 56 are an integral part of the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2021

1. General information

The Company is a company limited by shares, incorporated in England and Wales and domiciled in the United Kingdom, whose shares are not publicly quoted. The Company is an intermediate holding company for a group of companies (‘LVGIG Group’) and is also one of the service companies of the Allianz UK 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

BASIS OF PRESENTATION

On December 31, 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Liverpool Victoria General Insurance Group Limited transitioned to UK-adopted International Accounting Standards in its financial statements on January 1, 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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

The financial statements have been prepared under the historical cost convention, there are no financial assets or liabilities that need to be revalued at fair value. Items included in the financial statements are measured using the currency of the primary economic environment (the ‘functional currency’) which is sterling. Unless otherwise noted, the financial statements are presented in sterling (the ‘presentation currency’).

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 key areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The significant 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. 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 strong solvency positions.

Notes to the Financial Statements

For the year ended December 31, 2021

2. Accounting policies (continued)

Consolidation
The Company is exempt from the obligation to prepare and deliver group financial statements by virtue of the Companies Act 2006 (Section 401 1a) as it is a subsidiary undertaking of an EU parent (see note 30). The financial statements have been prepared on the historical cost basis. The functional and presentational currency is British Pounds.

Other income
Management charges for the provision of services are recognised as income when due for payment. 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. Income from the recharged expenses is recognised in parallel with the recognition of the underlying expenses to be charged.

Impairment of financial assets
The Company has financial assets that are subject to the expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

Intangible - 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.

Notes to the Financial Statements

For the year ended December 31, 2021

2. Accounting policies (continued)

Investments in Group undertakings
The subsidiaries are held in the Company's 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).

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.

Notes to the Financial Statements

For the year ended December 31, 2021

2. Accounting policies (continued)

Property and Equipment

a) Property - Right-of-Use Assets (IFRS 16 Leases)
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

b) Equipment - Fixtures, Fittings and IT equipment
Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all equipment, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of the Statement of Financial Position, of each asset evenly over its expected useful life as follows:

Fixtures and Fittings and IT equipment - 5 years

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The Company has elected to not recognise right of use assets and lease liabilities for short-term leases. The lease payments are recognised as an expense on a straight-line basis over the lease term.

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, 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.

Notes to the Financial Statements

For the year ended December 31, 2021

2. Accounting policies (continued)

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.

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.

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.

Notes to the Financial Statements

For the year ended December 31, 2021

2. Accounting policies (continued)

New standards and interpretations

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. These amendments were effective from 1 January 2021 and have no material impact on the Company

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.

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, 2021 the Company had £955,374k (2020: £961,168k) of total capital employed. The Company invests in 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. The market risk in group undertakings are managed by the same Board. The group undertakings have defined policies and procedures in place to control the major components of market risk. Exposures to individual companies in aggregate are monitored by the Finance and Investment Forum (FIFo) in order to ensure compliance with the relevant regulatory limits for solvency purposes and with guidelines set for each internal fund. Securities held are primarily listed and traded on recognised stock exchanges, predominantly in the UK.

Strategic asset allocation (SAA) is discussed at the monthly FIFo meetings, covering investment return and concentration and to agree any changes required. The SAA is approved by the Board.

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.

Notes to the Financial Statements

For the year ended December 31, 2021

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

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, its right of use asset, trade and other payables, provisions for other liabilities and lease liabilities.

The Company considers the liquidity risk associated with the right of use asset and lease liability to be insignificant as these are related balances which unwind over the same lease term. The Company has sufficient liquid assets to meet the lease liabilities as they fall due.

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.

There were no financial assets or liabilities subject to offsetting in the year nor in the previous year.

4. Investment income

	2021	*2020*
	£000	*£000*
Income from group undertakings		
- Dividend income	164,000	113,369
Fair Value through profit or loss assets		
- Interest income	46	190
	164,046	113,559

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

5. Other Income

	2021	*2020*
	£000	*£000*
Other income	353,702	286,678
	353,702	286,678

Other income for the Group is comprised of a management services fee from its subsidiaries.

6. Other operating and administrative expenses

	2021	*2020*
	£000	*£000*
Amortisation of intangibles	1,948	1,172
Depreciation on property and equipment	2,587	2,982
Administrative expenses, including management charges	348,720	281,850
	353,255	286,004

Included within Management charges are £88,476k (2020: £44,180k) of group recharges to LVGIG from AZH.

Notes to the Financial Statements

For the year ended December 31, 2021

7. Directors' emoluments

	2021	2020
	£000	£000
Emoluments (1)(2)	3,834	3,899
Amounts in respect of the highest paid director are:		
Aggregate Emoluments (2)(3)	1,284	1,372

(1) Emoluments include £373,959 (2020: £209,099) of payments received 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 £361,167 (2020: £231,167) of payments received during 2021 by the highest paid Director relating to the vesting of Liverpool Victoria General Insurance Group Limited ("LVGIG") Long Term Incentive Plans ("LTIPs"). That Director also has deferred payments of £364,550 (2020: £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 £3,484 (2020: £13,938) were made into that scheme in relation to that Director. In 2020, one Director of Fairmead has accrued benefit under the Employer Financed Retirement Benefit Scheme. There are no Directors who are members of the Allianz Retirement Savings Plan (a Group Personal Pension Plan defined contribution scheme).

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

8. Employee benefit expense

	2021	2020
	£000	£000
Wages and salaries	159,330	157,064
Social security costs	15,095	14,381
Other pension costs	16,127	14,048
	190,552	185,493

All of the £190,552k (2020: £185,493k) employee benefit expense in the Company 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 £3,900k in 2021 (2020: £2,300k).

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

	2021	2020
	Number	Number
Member and customer contact	2,597	2,669
Administration	1,453	1,433
	4,050	4,102

Notes to the Financial Statements

For the year ended December 31, 2021

9. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the auditors for the audit of the Company	34	34
	34	34

10. Income tax

a) Current year tax

	2021 £000	2020 £000
Current year tax expense/(credit)		
Corporation tax in respect of current year	2,669	33
Adjustment to current tax in respect of prior years	3,358	(289)
Total current tax	6,027	(256)
Deferred tax		
In respect of the current year	2	2
In respect of prior years	(142)	1
Adjustments to deferred tax attributable to changes in tax rates and laws	(47)	(1)
Total deferred tax	(187)	2
Total income tax expense/(credit)	5,840	(254)

b) Reconciliation of tax

	2021 £000	2020 £000
Profit before tax	164,046	113,536
Income tax expense/(credit) calculated at 19% (2020: 19%)	31,169	21,572
Effect of income that is exempt from taxation	(31,160)	(21,540)
Effect of expenses not deductible for tax purposes	16	3
Effect of imputed transfer pricing adjustments	2,645	-
Adjustments recognised in the current year relating to prior years	3,217	(289)
Effect of changes in statutory tax rate	(47)	-
Total income tax expense/(credit)	5,840	(254)

The tax rate used for the 2021 and 2020 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The standard rate of UK corporation tax is currently 19%, changing to 25% with effect from April 1, 2023.

Notes to the Financial Statements

For the year ended December 31, 2021

11. Intangible assets

	Software and licence costs £000	*Total £000*
Cost		
At January 1, 2021	8,178	8,178
Additions*	7,566	7,566
At December 31, 2021	15,744	15,744
Accumulated amortisation		
At January 1, 2021	1,172	1,172
Amortisation charge for the year	1,948	1,948
At December 31, 2021	3,120	3,120
Net book value at December 31, 2021	12,624	12,624

	Software and licence costs £000	*Total £000*
Cost		
Additions*	8,178	8,178
At December 31, 2020	8,178	8,178
Accumulated amortisation		
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 £12,624k intangible assets held by the company in 2021 (2020: £7,006k).
*Included within Additions are £2,900k of assets which are still undergoing development (2020: £4,200k).

Notes to the Financial Statements

For the year ended December 31, 2021

12. Property and Equipment

	Right-of-use assets - Property	*Fixtures, fittings and IT equipment*	*Total*
	£000	*£000*	*£000*
Cost			
At January 1, 2021	19,689	-	19,689
Additions during the year	620	404	1,024
Lease adjustment	98	-	98
Disposals during the year	(1,644)	-	(1,644)
At December 31, 2021	18,763	404	19,167
Accumulated depreciation			
At January 1, 2021	4,646	-	4,646
Provided for the year	2,526	61	2,587
Disposals	(510)	-	(510)
At December 31, 2021	6,662	61	6,723
Net book value at December 31, 2021	12,101	343	12,444

	Right-of-use assets - Property	*Fixtures, fittings and IT equipment*	*Total*
	£000	*£000*	*£000*
Cost			
At January 1, 2020	15,899	-	15,899
Additions during the year	3,288	-	3,288
Lease adjustment*	502		502
At December 31, 2020	19,689	-	19,689
Accumulated depreciation			
At January 1, 2020	1,664	-	1,664
Provided for 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.

13. Investments in group undertakings

	2021	*2020*
	£000	*£000*
At January 1	966,595	718,913
Investment in shares in subsidiary undertakings	-	247,682
Balance at December 31	966,595	966,595

Notes to the Financial Statements

For the year ended December 31, 2021

13. Investments in group undertakings (continued)

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 (2020: £nil).

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.

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.

The plans assume average annual growth on net earned premium over the next 5 years of 4%, 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 74.7% by 2025. The Expense ratio decreases to 19.8% mainly due to the synergies expected from migrating the Fairmead business onto the LVGIG platforms.

The plan assumes good underwriting results and combined investment income of c.£15,000k-£18,000k 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 10.49%, 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 £804,040k.

Notes to the Financial Statements

For the year ended December 31, 2021

14. Prepayments

	2021	2020
	£000	£000
Other prepayments	11,444	11,599
	11,444	11,599

All prepayments are due within 12 months of the date of the Statement of Financial Position and none held by the Company were past due or impaired in 2021 (2020: £nil).

15. Other receivables

	2021	2020
	£000	£000
Amounts due from group undertakings	11,690	10,817
Other receivables	25,810	32,443
	37,500	43,260

Other receivables balance includes £25,070k held in the Allianz SE Cash Pool (2020: £31,507k) this is "callable" on a daily basis. The remaining £12,430k of other receivables are due within 12 months of the date of the Statement of Financial Position (2020: £11,753k).

16. Cash and cash equivalents

	2021	2020
	£000	£000
Bank balances	233	1,040
Cash and cash equivalents per Statement of Financial Position	233	1,040
Non-offsettable Bank overdrafts (see Note 21)	(1,274)	-
Cash and cash equivalents per Statement of Cash Flows	(1,041)	1,040

17. Employee share save

	2021	2020
	£000	£000
Employees Share Purchase Plan	226	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, 2021. The total expense recognised in the year was £297k (2020: £233k) and the corresponding provision held at year end is £226k (2020: £233k).

Notes to the Financial Statements

For the year ended December 31, 2021

18. Provisions

	Dilapidations	Restructuring	Other provisions	Total
	£000	*£000*	*£000*	*£000*
At January 1, 2020	1,585	1,961	287	3,833
Provided during the year	276	8,013	582	8,871
Utilised during the year	-	(1,524)	(110)	(1,634)
Released during the year	(589)	(709)	(178)	(1,476)
At December 31, 2020	1,272	7,741	581	9,594
Provided during the year	646	-	340	986
Utilised during the year	-	(2,768)	(456)	(3,224)
Released during the year	70	(713)	(126)	(769)
At December 31, 2021	1,988	4,260	339	6,587

	2021	*2020*
	£000	*£000*
Current	4,600	559
Non-Current	1,987	9,035
	6,587	9,594

19. Current tax

	2021	*2020*
	£000	*£000*
Current tax receivable/(payable) at January 1	4	(353)
Amounts (charged)/credited to the income statement	(6,027)	256
Tax (received)/paid during the year	(433)	101
At December 31	(6,456)	4

All of the tax liabilities are payable within 12 months of the date of Statement of Financial Position.

Notes to the Financial Statements

For the year ended December 31, 2021

20. Deferred tax (liability)/asset

	2021	*2020*
	£000	*£000*
The balance comprises temporary differences		
Capital allowances	137	8
Provisions	58	-
At December 31	195	8

In March 2021 the Government announced that from April 1, 2023 the corporation tax rate will increase to 25% from the current rate of 19%. This law was substantively enacted on May 24, 2021.

Movements	**Provisions**	**Capital allowances**	**Total**
	£000	*£000*	*£000*
At January 1, 2020	2	8	10
Credited/(charged)			
- to profit or loss	(2)	-	(2)
At December 31, 2020	-	8	8
Credited/(charged)			
- to profit or loss	58	129	187
At December 31, 2021	58	137	195

21. Trade and other payables

	2021	*2020*
	£000	*£000*
Bank overdrafts	1,274	-
Amounts owed to group undertakings	19,238	7,141
Accruals	27,954	34,968
Other taxes and social security costs	3,235	4,480
Trade payables	7,920	9,840
Other payables	-	1,430
	59,621	57,859
Analysed as:		
	£000	*£000*
Current	55,434	54,240
Non-current	4,187	3,619
	59,621	57,859

Included within Accruals is £4,453k of LTIP payments (2020: £3,867k) of which £4,187k are not due for payment within 12 months of the date of the Statement of Financial Position (2020: £3,619k).

Notes to the Financial Statements

For the year ended December 31, 2021

22. Share capital

	2021	2020
	£000	£000
Ordinary shares of £1 each authorised, issued and fully paid	896,254	896,254

23. Retained earnings

	2021	2020
	£000	£000
Balance at January 1	64,914	1,493
Profit for the year	158,206	113,790
Write back of excess dividend accrual	-	2,631
Dividends paid (ordinary shares)	(164,000)	(53,000)
Balance at December 31	59,120	64,914

24. Dividends per share

The following dividends were declared and paid in the year:

- £164,000k dividend payment on ordinary shares – 18.3p per share (2020: £53,000k – 5.91p per share).

Notes to the Financial Statements

For the year ended December 31, 2021

25. Cash generated from operations

	2021 £000	2020 £000
Profit before tax	164,046	113,536
Investment income	(164,046)	(113,559)
Finance costs	447	697
Short-term lease payments	518	351
Non-cash items		
Amortisation of intangible assets	1,948	1,172
Depreciation on property and equipment	2,587	2,982
Movement in right-of-use assets	416	-
Changes in working capital		
Decrease/(Increase) in prepayments	155	(1,426)
Decrease/(Increase) in other receivables	5,760	(18,992)
(Decrease)/Increase in employee share save	(7)	233
(Decrease)/Increase in provisions	(3,007)	5,761
Increase in lease liabilities	-	4,856
Increase/(Decrease) in trade and other payables	488	(2,558)
Cash generated from/(used in) operating activities	9,305	(6,947)

Notes to the Financial Statements

For the year ended December 31, 2021

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:

The amount incurred by the Company for the provision of key management personnel services that was recharged to LVGIG Group totalled £1,862k (2020: £1,908k). The summary of the compensation of key management personnel for the year is as follows:

	2021	*2020*
	£000	*£000*
Short-term employee benefits	1,359	1,576
Other long-term benefits	503	332
	1,862	1,908

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

	2021	*2020*
	£000	*£000*
Dividend received from LVIC	164,000	113,369
Dividend paid to Allianz Holdings plc	(164,000)	(53,000)
Dividend paid to Allianz Holdings plc (contractual liability 49%)	-	(35,951)
Management charge received by the Company	353,702	286,678
Management charge paid by the Company	(88,476)	(44,180)
	265,226	266,916

Balances outstanding between the Company and other Group companies:

	2021	*2020*
	£000	*£000*
Receivable from group undertakings	11,690	10,817
Payable to group undertakings	(19,238)	(7,141)
	(7,548)	3,676

Notes to the Financial Statements

For the year ended December 31, 2021

27. Lease liabilities

	2021	*2020*
	£000	*£000*
Within 1 year	2,718	694
In 2 to 5 years	6,973	9,848
Greater than 5 years	3,080	5,159
	12,771	15,701

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.

29. Subsequent events

Since the date of the Financial Statements the Company is expected to receive dividends of £10,000,000 (2020: £164,000,000) from LVIC and £55,000,000 (2020: £nil) from Fairmead subject to non-objection from the Regulator. The Company is expected to pay a dividend to AZH for the same amount (see Directors' Report page 14).

Notes to the Financial Statements

For the year ended December 31, 2021

30. Ultimate parent company

The immediate parent undertaking is Allianz Holdings plc, a company registered in the England and Wales.

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

Copies of the Allianz SE Group financial statements are available on request from the ultimate parent's registered address, Allianz SE, Königinstrasse 28, 80802 München, Germany.