

FAIRMEAD INSURANCE LIMITED

**SOLVENCY AND FINANCIAL
CONDITION REPORT**

30 SEPTEMBER 2022

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SUMMARY

THIS DOCUMENT

This is the Solvency and Financial Condition Report ('SFCR') for Fairmead Insurance Limited ('the Company'). Solvency II, effective from 1 January 2016, is a harmonised EU wide insurance regulatory regime that aims to improve customer protection and modernise supervision of insurance companies by their local regulators. Following the end of the Brexit transition period on 31 December 2020 the Prudential Regulatory Authority ("PRA") continues to apply the Solvency II framework in the United Kingdom ("UK") including requiring the mandatory publication of an SFCR as per the Solvency II Directive. (2009/138/EC, as amended by Directive 2014/51/EU, articles 51–56).

The Directors changed the accounting reference date of the Company to 30 September, shortening the financial period to which these accounts relate to be the nine months ended 30 September 2022.

The strategic projects being undertaken by the Company to decommission and archive key systems are reaching a critical stage during the fourth calendar quarter of 2022 as part of its continued integration into the wider Allianz group and exit of an outsourcing arrangement with its former parent group, Legal & General Group plc. The accounting reference date of the Company was shortened to mitigate the potential risks this decommissioning and archiving programme could pose to the preparation and financial reporting around 31 December 2022.

Income or expense related items, are therefore, presented for the nine month period ended 30 September 2022 whereas the comparative is for the twelve month period ended 31 December 2021. Own funds, capital requirements, and related items are presented as at 30 September 2022 with the comparative being as at 31 December 2021.

The Company has continued its plans for migration of its business and with the exception of a specific contract with an Managing General Agent ('MGA'), all product lines are in run off. The last insurance policy falling under the contract with the MGA is due to expire by 1 April 2024 and the Company will write no further policies after 31 March 2023. The Directors have commenced a project to complete a transfer of general insurance liabilities under Part VII of the Financial Services & Markets Act 2000 ('Part VII') from the Company to a sister Company in the wider Group. It is intended that as part of the Part VII, and associated activities, the Company will no longer have any trade, and therefore should the Part VII be sanctioned by the court and approved by the regulators, the Directors are intending to take subsequent actions to dissolve the Company. It is anticipated that the Part VII and cessation of trade will be achieved in 2023.

WHO WE ARE

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

WHAT WE DO

The principal activity of the Company is the transaction of household general insurance business. The Company has continued its plans for migration of this household business and, with the exception of a specific contract with an MGA all household business is in run off. The last insurance policy falling under the contract with the MGA is due to expire by 1 April 2024 and the Company will write no further policies after 31 March 2023. The Company has previously underwritten risks relating to short term income protection and pet insurance but these products are now in run-off.

Household insurance provides cover in respect of householders' homes, investment properties, contents, personal belongings, and incidental liabilities which our customers may incur as a property owner, occupier or individual. Short-term income protection enabled our customers to continue meeting some of their financial

obligations if they are unable to work as a result of accident, sickness or unemployment. Pet insurance provided cover in respect of veterinary expenses incurred treating customers' pets as well as any incidental liabilities which pet owners may incur because of damage or injury caused by their pets. A death benefit is also provided.

Gross Written Premium ('GWP') for the period was £100m (2021: £310m), a 68% decrease. The Company stopped underwriting household business in May 2022 except for a household book of business with a managing general agent ('MGA'), having previously completed transfers of renewal rights for its Pet and Accident, Sickness and Unemployment ('ASU') books in 2021.

OUR BUSINESS

Fairmead Insurance Limited is wholly owned by Liverpool Victoria General Insurance Group Limited ('LVGIG'). On 31 December 2019, the Company was acquired by Allianz Holdings Plc and ownership was subsequently transferred to LVGIG, a subsidiary of Allianz Holdings Plc, in 2020. The Company is part of the wider Allianz SE group of companies, whose ultimate parent company is Allianz SE. A Transitional Service Agreement has been signed with Legal & General Assurance Society Limited ('LGAS') to provide a range of services.

The Company has continued to place an emphasis on the integration of the Company's business operations into the wider LVGIG and Allianz Holdings plc group. During the period, the Company completed the migration of the Broker, Pet and part of the Direct household books, and with the exception of a specific household product contract with an MGA, all product lines were in run off by the second quarter of 2022. The MGA arrangement is subject to a 100% quota share arrangement, effective from 31 December 2019.

The Company has entered into a delegated authority arrangement with LVIC during the year for the management of household claims. This arrangement was in respect of new claims only until the migration of the back book of claims to this arrangement which took place in November 2022. The claims handling for the Company's ASU book in run-off was delegated to Wessex Business Services Limited, trading as Wessex Insurance Services ('Wessex'), in 2021 and this relationship continued during 2022.

The archiving and decommissioning of systems in the transition away from the current platforms provided by the LGAS through the transitional service agreement have continued to be a key focus in 2022 with the exit from that arrangement planned for 31 December 2022.

The Directors have commenced a project to complete a transfer of general insurance liabilities under Part VII of the Financial Services & Markets Act 2000 ('Part VII') from the Company to a sister Company in the wider Group subject always to regulatory and Court approvals. It is intended that as part of the Part VII, and all associated activities, the Company will no longer have any trade, and therefore should the Part VII be sanctioned by the Court and approved by the regulators, the Directors are intending to take subsequent actions to dissolve the Company. Our Solvency Position and Performance

The Company's key performance measures are presented below. The 2022 underwriting result is for the nine month period to 30 September 2022 and is presented in detail in section A2. The comparative period is for the year ended 31 December 2021.

Performance Measures (£m)	2022	2021
Underwriting loss	(16)	(16)
Solvency II Eligible Own Funds	68	128
Solvency II Regulatory Surplus	32	66
Solvency II coverage ratio ¹	187%	208%

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

The underwriting loss of £16m is in line with the result from 2021 (£16m).

Net earned premiums decreased from £122m to £45m reflecting the run off of the business; the ongoing MGA book of business being subject to a 100% quota share arrangement.

Claims experience was adverse in 2022 with a net incurred loss ratio of 62% compared to 47% in 2021. The current year loss ratio has been impacted by adverse subsidence experience as well as inflation leading to prior year reserve strengthening. The 2021 result benefitted from favourable attritional claims as a result of COVID-19 lockdown restrictions, as well as more favourable weather conditions.

Net commission and expense incurred ratios were also adverse in 2022 at 77% (2021: 62%). This reflects the ongoing administrative costs within the business despite all lines, with the exception of the specific household arrangement with a MGA, now being in run off. This adverse experience has, however, been offset by a reduction in the net unexpired risk reserve (URR) provision of £1m (2021: £5m increase)

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

The Solvency II coverage ratio is the eligible Own Funds divided by the Solvency Capital Requirement (SCR).

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

ANALYSIS OF CHANGE IN OWN FUNDS

Solvency II available Own Funds have reduced by £60m over the year. A payment of an interim dividend of £55m was made during the financial period ended 30 September 2022. The Company undertook a capital reduction transferring £96m from its share premium account to distributable reserves to facilitate the payment of this dividend.

The loss on a UK GAAP basis is greater than the reduction in SII own funds primarily due favourable experience of catastrophic weather during 2022 (£2m) compared to the allowance in the technical provisions as at 31 December 2022 (£7m) and the timing of the recognition of levies between the Solvency II and UK GAAP accounting basis.

Solvency II eligible own funds have also reduced by £60m. The restriction on the eligibility of the deferred tax asset (tier 3 capital) to 15% of the Solvency Capital Requirement is in line with the prior year impact.

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

OUR GOVERNANCE

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

RISK MANAGEMENT FRAMEWORK

We deploy a 'three lines of defence' risk governance model, whereby business areas are responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with our risk policies; the risk function led by the Company's Chief Risk Officer, provides objective challenge and guidance on risk matters; with Group Internal Audit providing independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

Our risk identification and assessment process forms part of our broader ORSA process, our ongoing assessment of the risks to which the Company is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Company's plan. The horizon of the plan is limited to a one year period to reflect the Directors intentions to complete a Part VII transfer of all general insurance liabilities, subject always to regulatory and Court approvals.

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

OUR RISK PROFILE

We are exposed to the following material risks:

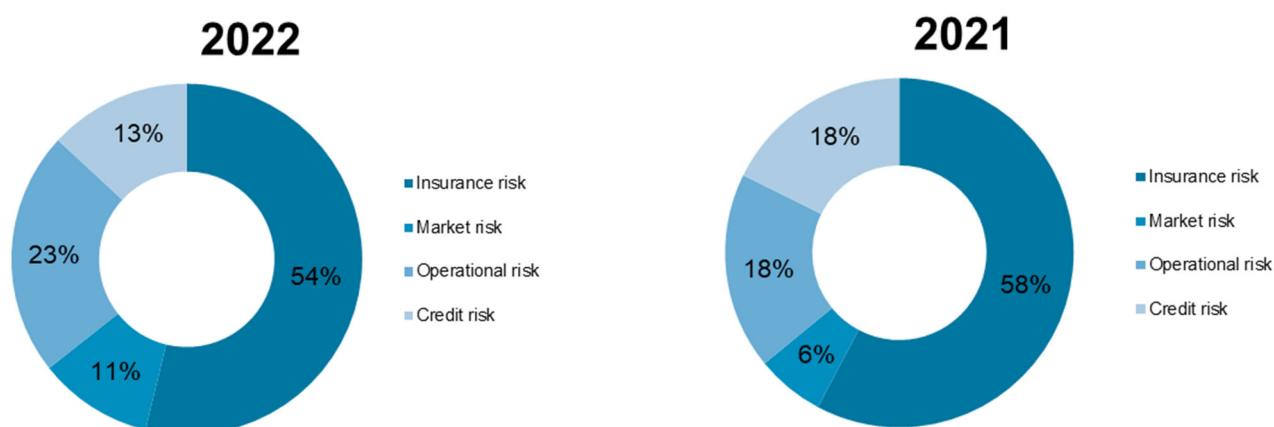
- weather-related catastrophe risks on our household insurance business;
- insurance risks arising from the volatility of claims relative to premiums charged;
- investment risks, from holding portfolios of assets to meet our obligations to our customers and to deliver returns to shareholders; and
- operational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

OUR CAPITAL MODEL

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

Our regulatory SCR is based on the Standard Formula. The Standard Formula is calibrated to a point stress 1-in-200 year event, equivalent to a 99.5% value at risk confidence level over one year. In terms of capital requirement, weather risk and premium and reserve risk are our most significant risks.

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



Further details on our risk profile, changes over the course of 2022, and sensitivity tests are discussed in section C, Risk Profile.

OUR VALUATION FOR SOLVENCY PURPOSES

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

Technical provisions are calculated as the sum of Best Estimate Liabilities (BEL) and Risk Margin (RM). The gross BEL represents our best estimate of future cash flows on the in-force business as at 30 September 2022, and also on policies which have been written but not incepted at that date, taking into account the time value of money, and is calculated without any deductions for the amounts recoverable from reinsurance contracts. The company does not use the transitional measures under Solvency II.

As at 30 September 2022, the Company's excess of assets over liabilities was £71m (2021: £130m) on a Solvency II basis, which is £1m lower than the UK GAAP net asset position.

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

OUR CAPITAL MANAGEMENT

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

As at 30 September 2022 the Company held £31m of surplus Own Funds above the SCR requirement, representing a regulatory capital coverage ratio of 187%. This buffer of capital resources over the regulatory requirement ensures that we are able to more than meet our insurance obligations after a 1-in-200 year event. In line with our risk management approach, we maintained an appropriate capital buffer throughout the previous year and remain well above our risk appetite action level.

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

£m	Total 30 SEP 2022	Total 31 DEC 2021
Solvency II Tier 1 Own Funds	62	119
Solvency II Eligible Tier 3 Own Funds	5	9
Solvency Capital Requirement	36	62
Solvency Surplus	32	66
Ratio of eligible Own Funds to SCR	1.87	2.08
Minimum Capital Requirement	9	15
Minimum Capital Surplus	53	103
Ratio of eligible Own Funds to MCR	6.87	7.71

The Company's SCR was £36m at 30 September 2022. We measure and monitor our capital resources on a regulatory basis and to comply with regulatory capital requirements. Our regulatory capital requirement is determined using the Standard Formula Model. The SCR has reduced during 2022 due to the number of policies gradually reducing within the Company and the size of the investment portfolio also reducing during the year.

All our Own Funds have been assessed as basic Own Funds. There are no ancillary Own Fund items included in total Own Funds. Material basic Own Funds have been assessed against Article 71 of the Delegated Regulation

and accordingly been categorised as unrestricted Tier 1 Own Funds except for the deferred tax asset which is categorised as Tier 3 Own Funds.

£3m (2021: £2m) of the tier 3 own funds is not eligible own funds. This is because there is a restriction on the eligibility of the tier 3 capital to 15% of the Solvency Capital Requirement.

ANY OTHER INFORMATION

No further information to note.

DIRECTORS' CERTIFICATE

FAIRMEAD INSURANCE LIMITED– FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

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

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

(a) throughout the financial year to 30 September 2022, the firm has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the firm; and

(b) it is reasonable to believe that in respect of the period from 30 September 2022 to the date of the publication of the Solvency and Financial Condition Report, the firm has continued so to comply and that it will continue so to comply for the remainder of the financial year to 30 September 2023.



Mike Crane
Chief Executive Officer
16 December 2022



Kevin Wenzel
Chief Financial Officer
16 December 2022

AUDITOR'S REPORT

FAIRMEAD INSURANCE LIMITED – FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

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

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

Opinion

Except as stated below, we have audited the following documents prepared by Fairmead Insurance Limited as at 30 September 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Fairmead Insurance Limited as at 30 September 2022, (**the Narrative Disclosures subject to audit**); and
- Company templates S02.01.01, S17.01.01, S23.01.01, S25.01.01, S28.01.01 (**the Templates subject to audit**).

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

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

- Information contained within the relevant elements of the Solvency and Financial Condition Report, set out above, which are identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.01, S19.01.01;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**the Responsibility Statement**).

Based on the enquiries undertaken we note the following:

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

In our opinion, except for the above the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of Fairmead Insurance Limited as at 30 September 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determination.

Basis for opinion

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

Conclusions relating to going concern

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

Emphasis of matter – basis of accounting

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

Other matter – statutory financial statements prepared on a basis other than going concern

We have performed a statutory audit of the financial statements of the Company for the period ended 30 September 2022. We draw attention to Note 1a to the financial statements which explains that the Directors intend to liquidate the company and therefore do not consider the company to be a going concern. Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 1a. Our opinion is not modified in this respect of this matter.

Other Information

The Directors are responsible for the other Information.

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

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

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

Report on Other Legal and Regulatory Requirements.

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

DocuSigned by:

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20 December 2022

BDO LLP

55 Baker Street

London

W1U 8EW

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

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

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

Solo standard formula

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

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

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 COMPANY DETAILS

This report is prepared in respect of Fairmead Insurance Limited for the financial year ended 30 September 2022.

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

A.1.1.1 QUALIFYING HOLDINGS AND MATERIAL RELATED UNDERTAKINGS

Fairmead Insurance Limited is wholly owned by Liverpool Victoria General Insurance Group Limited. On 31 December 2019, the Company was acquired by Allianz Holdings Plc and ownership was subsequently transferred to a subsidiary of Allianz Holdings Plc, Liverpool Victoria General Insurance Group (LVGIG') in 2020. The Company is part of the wider Allianz SE Group of companies, whose ultimate parent company is Allianz SE.

A.1.1.2 GROUP STRUCTURE

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

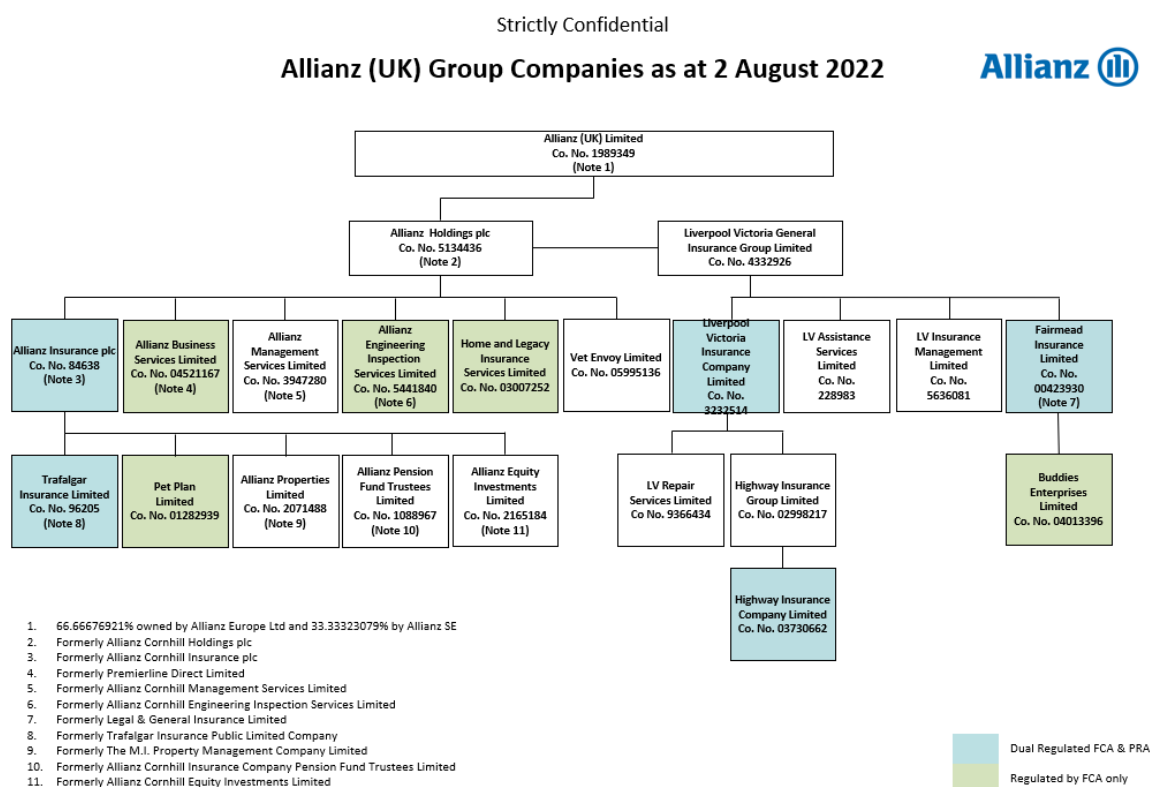
Allianz SE is the parent undertaking of the largest group of undertakings to consolidate financial statements. The Report and Financial Statements of Allianz SE are available from the Company Secretary at the Registered Office, Koeniginstrasse 28, 80802 Munich, Germany, or on the group website www.allianz.com.

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

Fairmead Insurance Limited owns 100% of Buddies Enterprises Limited, which distributed pet insurance products underwritten by Fairmead Insurance Limited.

Fairmead Insurance Limited owned 100% of Fairmead Distribution Services Limited. Fairmead Distribution Services Limited distributed general insurance products underwritten by third parties but was dissolved on 2 August 2022.

Simplified UK Group structure as of 2 August 2022 which remains current at the date of signing of this report:



A.1.2 PRINCIPAL ACTIVITY

Fairmead Insurance Limited is an insurance company authorised and regulated in the UK by the PRA, and regulated by the Financial Conduct Authority (FCA). We operate within the United Kingdom, the Channel Islands and the Isle of Man.

The principal activity of the Company is the transaction of general insurance business in the personal sector marketplace, specifically relating to risk covers for household. The Company stopped underwriting household business in May 2022 except for a household book of business with a managing general agent ('MGA'). The Company has also previously underwritten risks relating to short term income protection and pet insurance but these products are now in run-off.

Our principal insurance product is household insurance. These contracts provide cover, subject to policy limits, against loss, damage or liability which our customers may incur as a property owner, occupier or landlord. This includes loss or damage from many causes, including but not limited to fire, smoke, explosion, lightning or earthquake; malicious acts of vandalism; storm or flood; subsidence, heave or landslip; theft or attempted theft;

escape of water and leakage of oil; accidental damage to underground pipes or cables serving homes and alternative accommodation costs if our customers have to temporarily move out of their home because of an insured event.

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

Our main underwriting risks for household are an accumulation of claims arising from severe weather events as well as individual large liability claims. To mitigate these risks, we have reinsurance protection, thereby transferring these risks to other specialist companies. Our principal reinsurance arrangements are a catastrophe excess of loss treaty, a liability excess of loss treaty (ceased 30 June 2021), and quota share arrangements which includes a 100% quota share agreement for our MGA exposure ('MGA QS') with our former parent, Legal & General Assurance Society Limited, and 50% quota share with Allianz Re Dublin DAC ('Allianz Re').

The Directors have commenced a project to complete a transfer of general insurance liabilities under Part VII of the Financial Services & Markets Act 2000 ('Part VII') from the Company to a sister Company in the wider Group subject always to regulatory and Court approvals. It is intended that as part of the Part VII, and all associated activities, the Company will no longer have any trade, and therefore should the Part VII be sanctioned by the Court and approved by the regulators, the Directors are intending to take subsequent actions to dissolve the Company.

A.2 UNDERWRITING PERFORMANCE

£m	30 September 2022	31 December 2021
Gross premium written	100	310
Gross premium earned	177	375
Gross claims incurred	(112)	(177)
Expenses	(96)	(181)
Changes in gross technical provisions	5	(10)
Reinsurance	10	(23)
Underwriting loss	(16)	(16)
Underwriting loss	(16)	(16)

See Annex 1, S.05 Information on premiums, claims and expenses.

The 2022 underwriting result is for the nine month period to 30 September 2022. The comparative period is for the year ended 31 December 2021.

Total gross written premium in the nine month period ended September 2022 has fallen 68% to £100m compared to the year ended 31 December 2021 (£310m). The Company no longer offers the sale of new business policies for pet and Accident Sickness & Unemployment (ASU) products and household products in the Direct and Broker channel other than a specific household contract with a Managing General Agent (MGA). This MGA contract accounts for £77m of the household gross written premium in the period.

Our 2022 underwriting result is presented above with an overall loss in the nine month period to 30 September 2022 of £16m related to lower written premiums but higher relative claims costs & expenses.

Claims experience was adverse in 2022 with a net incurred loss ratio of 62% compared to 47% in 2021. The current period loss ratio has been impacted by adverse subsidence experience as well as inflation leading to prior

period reserve strengthening. The 2021 result continued to benefit from favourable attritional claims as a result of COVID-19 lockdown restrictions, as well as more favourable weather conditions.

Net commission and expense incurred ratios were also adverse in 2022 at 77% (2021: 62%). This reflects the ongoing administrative costs within the business despite all lines, with the exception of the specific household arrangement with a MGA, now being in run off. This adverse experience has, however, been offset by a reduction in the net unexpired risk reserve (URR) provision of £1m (2021: £5m increase)

Household non-liability insurance is the most significant line of business as at 30 September 2022, representing 98% of GWP (2021: 89%). General liability represented 2% in the nine month period to 30 September 2022 (2021: 2%) whereas GWP relating to Miscellaneous financial loss (2021: 8%) and Short-term income protection (2021: 1%) were negligible in 2022.

A.3 INVESTMENT PERFORMANCE

The 2022 investment performance for the nine month period to 30 September 2022 is presented below. The comparative period is for the year ended 31 December 2021.

£m	30 September 2022	31 December 2021
Interest income on available-for-sale financial assets	1	2
Realised losses on available-for-sale financial assets	-	-
Dividend income	1	-
Total performance recognised in pre-tax profit for the period	2	2
Change in value of available-for-sale financial assets recognised in other comprehensive income	(8)	(2)
Total investment performance in the period	(6)	-

All of the investment return in the year arose on available-for-sale financial investments (AFS) with the exception of the dividend income received from the Company's wholly owned subsidiary, Fairmead Distribution Services Limited. The subsidiary was subsequently dissolved in August 2022.

The investment strategy of the Company has continued to concentrate on minimising risk to the core insurance operations from which the investment cash flows are derived. We invested in assets to ensure the security, liquidity and quality of the portfolio as a whole, while taking into account the nature and duration of our insurance liabilities. The Company's investment portfolio is now in run off.

The Company is exposed to the impact of adverse economic conditions on its investment portfolio. During the period, the Company's investment portfolio consisted of Government, Corporate and Covered bonds and so the Company's material exposures are to interest rate and credit spread movements. The Company's investment strategy is approved at the Allianz Holdings Finance and Investment Committee (FICo) on which the Company's CFO is a standing attendee. The Company's portfolio produced negative returns during the nine month period to 30 September 2022 due to the increase in interest rates driving market prices down.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 MATERIAL LEASING ARRANGEMENTS

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

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

A.5 ANY OTHER INFORMATION

No further information to note.

B. SYSTEM OF GOVERNANCE

The Company is regulated by both the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

The Company is owned by Liverpool Victoria General Insurance Group Limited (LVGIG), a subsidiary of Allianz Holdings PLC ('Allianz' or the 'Group'), whose ultimate parent company is Allianz SE.

The Company has one subsidiary, Buddies Enterprises Limited (Buddies), an insurance intermediary. Buddies acted a distributor and administrator of pet insurance products which, since 2018, have been underwritten by the Company. The pet product has been in run off since migration at renewal to Allianz Insurance plc commenced in 2021.

In 2021, the Company had another subsidiary, Fairmead Distribution Services Limited ('FDSL'), but which was dissolved in August 2022. FDSL distributed general insurance products underwritten by third parties.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1 THE STRUCTURE OF THE BOARD AND BOARD REPORTING

The Fairmead Insurance Limited Board comprises:

- Chairman (CEO of LVGIG)
- Chief Executive Officer
- Chief Financial Officer
- Commercial Director

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

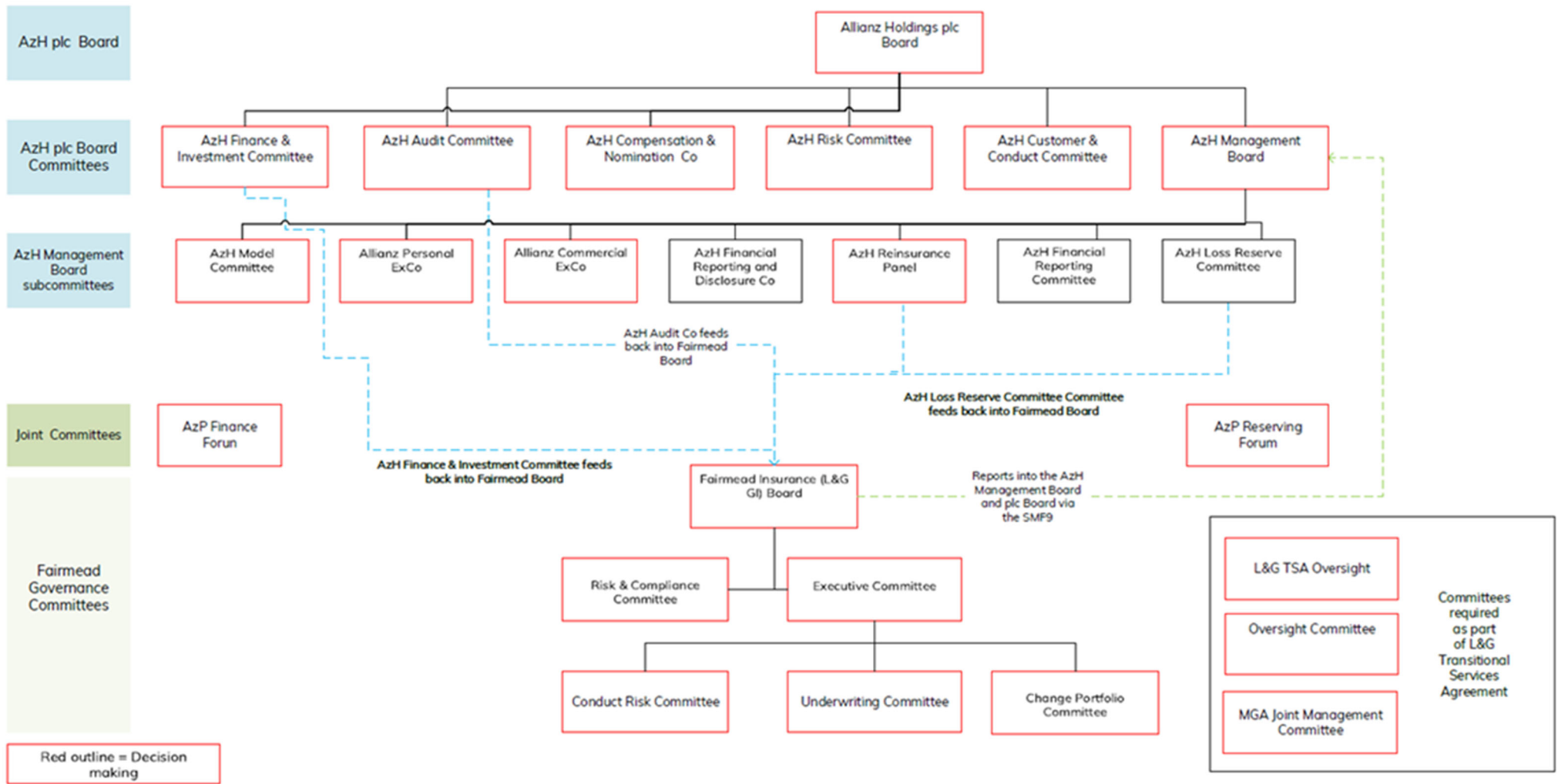
An annual fitness and propriety exercise is undertaken on all SMFs and certified role holders in compliance with the PRA's Senior Managers and Certification Regime.

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

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

B.1.2 COMMITTEE STRUCTURE AND DELEGATED AUTHORITIES

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



Committees required as part of L&G Transitional Services Agreement

- L&G TSA Oversight
- Oversight Committee
- MGA Joint Management Committee

Red outline = Decision making

B.1.2.1 COMMITTEES OF ALLIANZ HOLDINGS PLC

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

B.1.2.1.1 BOARD RISK COMMITTEE

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

B.1.2.1.2 GROUP CUSTOMER AND CONDUCT COMMITTEE

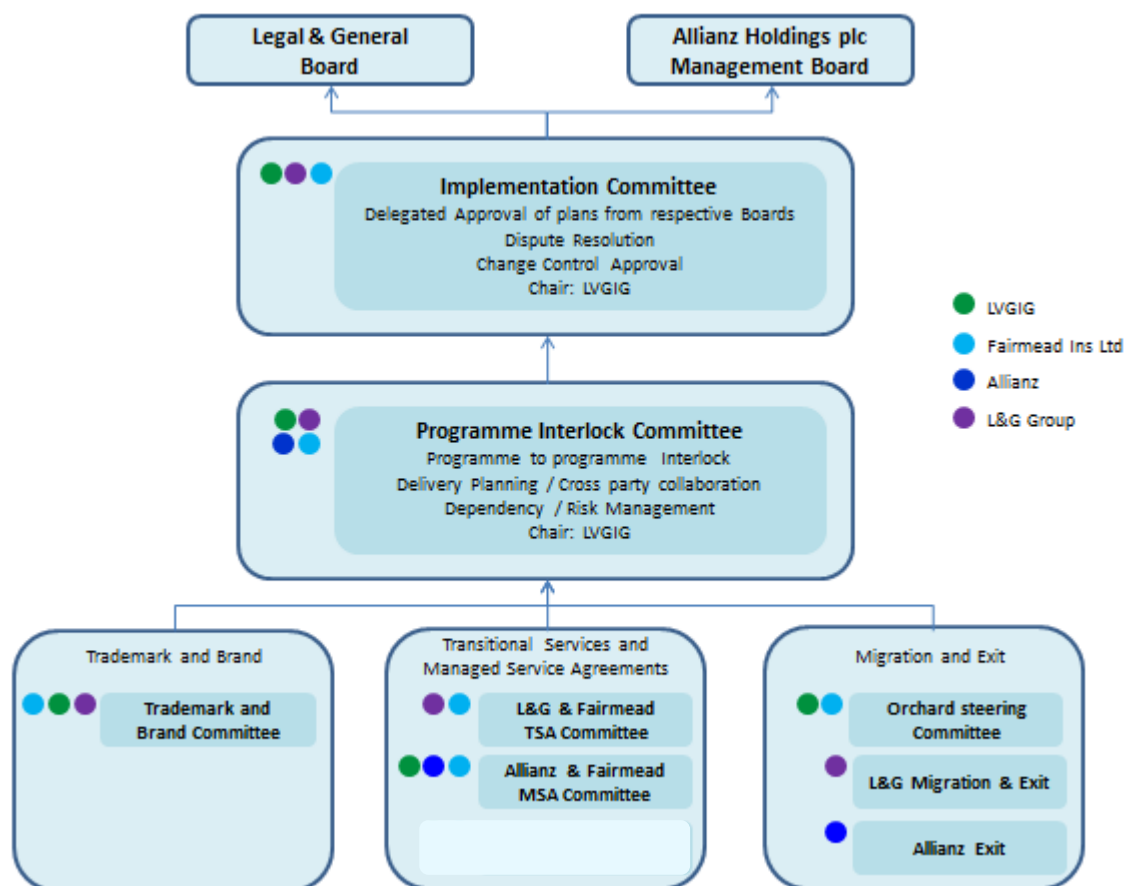
The Group Customer and Conduct Committee is responsible for oversight of material customer and conduct matters both current and emerging across all entities in the Group, including the Company. Membership of the Committee during the year comprised a non-executive director who acted as Chair, the Chair of the Board Risk Committee, one other non-executive director of Allianz Holdings plc, and the Chief Executive Officers ("CEO") of Allianz Holdings plc and LVGIG.

B.1.2.1.3 AUDIT COMMITTEE

The Group Audit Committee monitors the integrity of the financial statements, financial reporting developments, financial controls and the system of internal control across the Group. The Committee comprises a non-executive Director, who acts as Chair, and all the other non-executive Directors of Allianz Holdings plc.

B.1.2.2 SEPARATION AGREEMENT – ADDITIONAL GOVERNANCE

The additional governance changes, interactions and committee structure implemented as a result of the Separation Agreement between the Company, Legal & General Resources Limited, and Allianz Holdings PLC are set out below:



B.1.3 MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE OVER 2022

None

B.1.4 REMUNERATION POLICY AND PRACTICES

B.1.4.1 REMUNERATION PRINCIPLES

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

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

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

The Group provides a defined contribution pension scheme, which is open to all employees.

The Company's staff is employed by our parent company, LVGIG, who recharge all regular staff costs to the Company.

B.1.5 MATERIAL TRANSACTIONS

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

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

At 30 September 2022 and 31 December 2021 there were no loans outstanding to officers of the Company.

B.1.6 SOLVENCY II KEY FUNCTIONS

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

- Risk Management led by the Company's Chief Risk Officer (CRO)
- Compliance function led by the Company's CRO
- Internal Audit function led by the UK Group Head of Internal Audit
- Actuarial function led by the Company's Chief Actuary

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

As at 30 September 2022, an interim SMF 20 Holder is in place, who is supported by a team of actuarial professionals with a depth of experience. The interim SMF 20 Holder holds an appropriate Institute and Faculty of Actuaries Chief Actuary Practising Certificate.

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

B.2 FIT AND PROPER REQUIREMENTS

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

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

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

B.2.1 ASSESSMENT AND APPOINTMENT UNDER THE SM&CR

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

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

B.2.2 ONGOING EVIDENCE OF FITNESS AND PROPRIETY

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

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

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

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

B.3 RISK MANAGEMENT SYSTEM

B.3.1 RISK MANAGEMENT SYSTEM

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

- The Company is responsible for risk taking within the parameters of its risk appetite and accountable for managing risks in line with the Company's risk policies, adjusted where required for specific requirements applying to the Company;
- The Company's Chief Risk Officer provides objective challenge and guidance on risk matters;
- Allianz Group Internal Audit provides independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

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

B.3.1.1 RISK APPETITE

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

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

B.3.1.2 RISK TAKING AUTHORITIES

The parameters of acceptable risk taking are defined within the 'CEO Risk and Capital Mandate', empowering our Chief Executive Officer to make decisions that are consistent with appetite for risk.

Mandates articulate the product types and features that may be written; the assets classes that may be held; the target capital positions and ranges of earnings volatility within which the overall profile of risks should be managed; and tolerances for specific risk exposures. Activities that would result in the Company operating outside agreed parameters require formal approval by the Group's Board.

B.3.1.3 RISK POLICIES

B.3.1.3.1 RISK CONTROL

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

B.3.1.3.2 RISK MITIGATION

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

B.3.1.4 RISK IDENTIFICATION AND ASSESSMENT

B.3.1.4.1 REVIEW PROCESS

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

B.3.1.4.2 OWN RISK SOLVENCY ASSESSMENT (ORSA)

The Company's risk identification and assessment process forms part of our broader ORSA process, our ongoing assessment of the risks to which the Company is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Company plan. The horizon of the plan is limited to a one year period to reflect the Directors intentions to complete a Part VII transfer of all general insurance liabilities, subject always to regulatory and Court approvals.

B.3.1.5 RISK MANAGEMENT INFORMATION

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

B.3.1.6 RISK OVERSIGHT

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

Our Chief Risk Officer also provides objective challenge and guidance on a range of risk matters to business managers, including the risks implicit in product developments, business transactions and new asset classes, and strategies for managing risks in line with our risk appetite.

B.3.1.7 RISK AND COMPLIANCE COMMITTEE

The Company's Board:

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

The Company's Risk and Compliance Committee, a sub-committee of the Board, provides a more focussed review and challenge of risks, and reviews the effectiveness of frameworks in place to manage those risks.

The Executive Directors are accountable for:

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

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

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

The Company seeks to deeply embed the necessary capabilities to assess and price for those risks that it believes offer sustainable returns; as well as ensuring the skill sets to closely manage those risk factors which could otherwise lead to unexpected outcomes.

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

B.3.2.1 OWN RISK AND SOLVENCY ASSESSMENT

The purpose of the ORSA is to assess the Company's risks and to evaluate whether we have sufficient financial resources to sustain the business strategy over the plan horizon across a range of scenarios. The latest plan reflects the Group migration plans impacting the Company and the horizon of the plan is also limited to a one year period to reflect the Directors intentions to complete a Part VII transfer of all general insurance liabilities, subject always to regulatory and Court approvals.

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

The Company's Board receives an annual ORSA Report from the Company's CRO. During 2020, quarterly ORSA Reports were introduced to supplement the annual report.

Our key ORSA processes include:

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

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

- Approving the ORSA policy.
- Considering capital projections and a sub-set of scenarios within the strategic plan.
- Reviewing proposed stress and scenario tests.
- Approval of the ORSA report.
- Monthly MI demonstrating compliance with risk appetite monitored at the Risk and Compliance Committee.

B.4 INTERNAL CONTROL SYSTEM

The Company's Risk and Compliance Committee is our first line of defence in developing, maintaining and monitoring the internal control system as laid out in the Company's internal control policy. It is a sub-committee of the Company's Board.

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

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

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

The process is monitored by the audit committee.

An important element of the internal control system is the Compliance function.

B.4.1 SII COMPLIANCE FUNCTION

The Company's Chief Risk Officer utilised a team of subject matter experts who carried out a structured review to ensure that the key requirements of the Solvency II Directive continue to be met and produced a report for the Company's Board as required by the Company's Solvency II Compliance Policy.

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

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

The Company has defined the Company's Chief Risk Officer role as the functional head of Solvency II Compliance at the Company level, with subject matter experts from across the business in support of the Solvency II Compliance function.

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

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

B.5 INTERNAL AUDIT FUNCTION

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

The primary responsibilities and activities of the function are to:

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

B.6 ACTUARIAL AND RISK FUNCTION

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

- Coordinate the calculation and validation of technical items under UK GAAP and Solvency II, including technical provisions calculations;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;
- Inform the Board of the reliability and adequacy of the calculation of technical provisions;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements;
- Contribute to the effective implementation of the risk- management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements;
- Prepare an annual report on the actuarial function (Actuarial Function Report); and
- Report the results of the reserve valuations to the Board and Group via the Reserve Committee.

The Actuarial function's independence is supported by written policy. It recommends the level of technical provisions to the AzH Loss Reserve Committee. The work of the Actuarial Function and its independence is overseen on behalf of the Board by the Board Risk Committee.

As at 30 September 2022, an interim SMF 20 Holder is in place, who is supported by a team of actuarial professionals with a depth of experience. The interim SMF 20 Holder holds an appropriate Institute and Faculty of

Actuaries Chief Actuary Practicing Certificate. The Actuarial Function reports on compliance with the above requirements by producing an Actuarial Function Report.

B.7 OUTSOURCING

The Company's Supplier Relationship Management Handbook promotes consistency of governance and best practice, ensuring adherence to group policy, regulatory and legislative requirements. Documents, tools and templates are made available within the Handbook as guidance to implement the Procurement Process Steps and the Supplier Relationship Management Process Steps.

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

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

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

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

Insourcing is the use by one group company of another group company for the supply of business facilities or services. The group's core insourced relationships are as follows:

- Investment management services provided by PIMCO Europe Ltd [a fellow Allianz SE subsidiary] via LVGIG;
- Employment via LVGIG
- HR via Allianz UK

- Intragroup reinsurance arrangements with Allianz Re Dublin Designated Activity Company [a fellow Allianz SE subsidiary]
- Household Claims Handling with Liverpool Victoria Insurance Company Limited. (The Company has entered into a delegated authority arrangement with LVIC during the year for the handling of household claims. This arrangement was in respect of new claims only until the migration of the back book of claims to this arrangement which took place in November 2022.)

A Transitional Service Agreement has been signed with Legal & General Assurance Society Limited to provide a range of services for three years, ending 31 December 2022. This covers a wide range of services including:

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

The agreement with L&G is subject to its own governance framework reflecting its significance to the operation of the business. Details are provided in section B.1.2.

The Company has undertaken all required transition work to allow this agreement to be successfully exited on 31 December 2022.

B.8 ADEQUACY OF THE SYSTEM OF GOVERNANCE

The Company's risk management framework is reviewed annually within the UK Group System of Governance Review. The most recent review was completed and signed off in January 2021.

Solvency II legislation requires the System of Governance be subject to regular internal review. The Company conducts this review annually and it is intended to be a consolidated cross-functional assessment of elements of the System of Governance through all relevant sources for evaluation. Entity level control assessment testing forms part of the review and is carried out by the Allianz Internal Audit department. Adequacy assessment of certain System of Governance elements, as selected by the Allianz SE Group, is also reviewed. The requirement to conduct the review is reflected in the Allianz SE Group Governance and Control Policy and mirrored in the Allianz UK Governance and Control Policy. The System of Governance review is assessed by the Governance and Control Committee, which is a sub-committee of the Allianz Holdings plc Operational Risk Committee and was assessed for 2021 as being adequate in proportion to the nature, scale and complexity of the risks inherent in the business. The System of Governance review was also reviewed by the Group Board Risk Committee, ahead of a Statement of Accountability Attestation being completed by Colm Holmes (Group CEO) and Fernley Dyson (Group CFO) and returned to Allianz SE Group.

B.9 ANY OTHER INFORMATION

No further information to note.

C. RISK PROFILE GENERAL

C.1 RISK PROFILE

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

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

The inherent risks are:

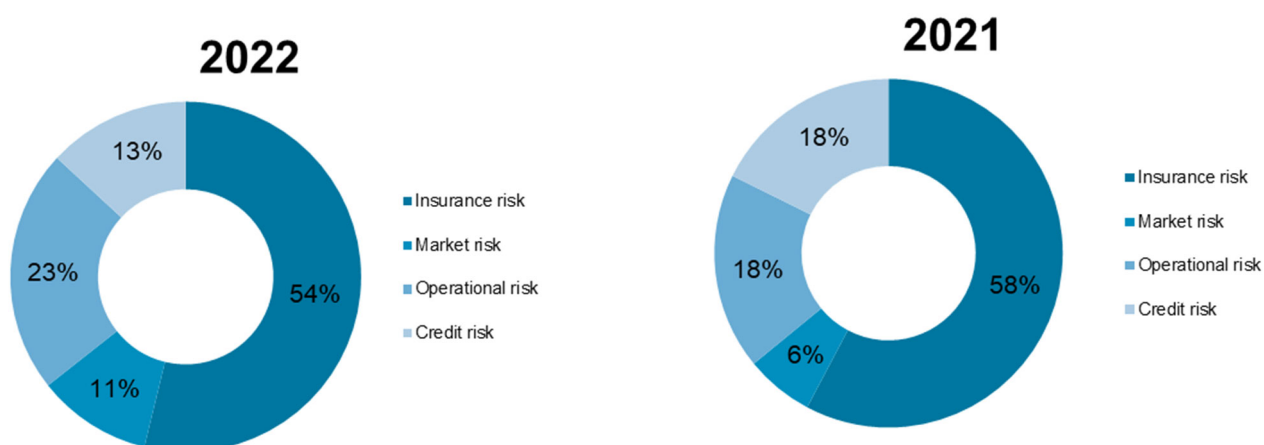
- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

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

Over the course of 2022 there has been a reduction in insurance risk due to the continued migration of policies to LVIC. This has led to more capital being allocated to market and operational risk. Overall, the SCR and the individual risk capital requirements have reduced during 2022 due to the number of policies gradually reducing within the Company and the size of the investment portfolio also reducing during the year.

The key metrics used to monitor risk within the business are reported to the Risk & Compliance Committee (RCC) on a monthly basis. There are set tolerances on metrics and these are mapped to a RAG status. Where metrics become amber or red, management will consider whether action needs to be taken.

Below is the breakdown of the Company's diversified Solvency Capital Requirements by major risk categories:



C.1.1 INSURANCE RISK

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

- Premium risk is the risk that the actual cost of claims from premium earned over the modelling horizon is different to expected. This is split into various perils and product types. Premium earned includes the unearned premium at the valuation date and earned from new business written over the modelling horizon.
- Reserve risk is the risk that the actual cost of claims from premium earned prior to the valuation date is different from the expected best estimate reserve. i.e. the 'claims reserve' element of the technical provision calculation.
- Expense risk is the risk of possible losses due to actual operating expenses being higher than those forecast in the business plan for the coming period. Operating expenses in this context consist of all expenses excluding claims handling expenses and acquisition costs.

This risk is controlled through appropriate underwriting, reinsurance and pricing criteria, and measured through clear metrics concerning concentration risk, target net loss as a result of a 1-in-200 weather event, underwriting performance, expense over/underrun, and prior period reserve adjustment monitoring. The metrics are reported on a quarterly basis to the RCC. There have been no material changes to the measures used to assess insurance risk during the nine month period to 30 September 2022.

Over the course of 2022, Insurance Risk has reduced due to the migration of policies to LVIC. Whilst all of the above Insurance risks have reduced during 2022, the impact of high inflation, storms in February and an elevated level of subsidence claims in the third quarter following the dry summer have resulted in higher reserves and therefore higher Reserve Risk than as otherwise would have been the case. Inflation and uncertainty on the ultimate cost of quarter three 2022 subsidence claims represents two of the key risks in relation to current reserves.

C.1.1.1 INSURANCE SPECIAL PURPOSE VEHICLES (SPVS)

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

C.1.2 MARKET RISK

During the nine month period to 30 September 2022 the Company's investment portfolio consisted of investment grade government and corporate bonds, and cash similar to during 2021. The Company's investments are managed by Allianz's investment arm, PIMCO. The investment portfolio is exposed to market risk as its value is influenced by external factors such as changes in interest rates and credit spreads. Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates. Credit spread risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in credit spreads above the risk-free rate.

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

Market risk appetite is approved and then the investment mandate is agreed and approved at the Allianz Holdings Finance and Investment Committee (FICo) on which the Company's CFO is a standing attendee to ensure that the Company's investments are consistent with the market risk appetite. This is monitored through reporting of risk metrics to the RCC. Metrics presented to RCC consider the proportion of the fund invested in the various approved investment types e.g., proportion invested in corporate bonds. A red, amber or green status is shown comparing the current position to the agreed strategic asset allocation. No changes were made to how market risk is measured during the nine month period to 30 September 2022.

Market risk has reduced over the nine month period to 30 September 2022 due to a reduction in the size of the portfolio following drawdowns made to pay for cash outgoings including a £55m dividend payment made by the Company during the year.

Over the course of 2022, the investment portfolio was adversely impacted by increases in interest rates and credit spreads reflecting the current macro-economic environment. This remains a risk going forward, however, the duration of the assets and liabilities continues to fall as the business runs off.

C.1.2.1 PRUDENT PERSON PRINCIPLE

Article 132 of consolidated level 1 text requires all investments held by insurance and reinsurance undertakings should be managed in accordance with the 'Prudent Person Principle'. The prudent person principle requires companies to only invest in assets and instruments:

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

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

At an operational level, the Company fulfils its obligation to the prudent person principle by having an Investment Management Agreement (IMA) in place between the Company and the Company's investment manager that addresses appropriate criteria in Article 132 such as:

- Identifying the market risks within the IMA, modelling them and identifying the capital required to cover such risks.
- Allianz Holdings Finance and Investment Committee (FICo) in place to review investment performance and policy developments, discuss actions and plans, carry out investment activities as delegated to it and provide suggestions and recommendations to the Fairmead Board.
- Management information on investments and market risk are submitted to the AZP Finance and Investments Forum.

C.1.3 CREDIT RISK

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

C.1.3.1 TYPE-1 EXPOSURES

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

Examples include:

- Reinsurance
- Cash in banks

C.1.3.2 TYPE-2 EXPOSURES

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

- Receivables from intermediaries

- Policyholder debt

The level of accepted credit risk is set out within the Credit Risk policy, which is reviewed and approved by RCC on at least a bi-annual basis. Risk metrics covering key exposures are set and reported quarterly to RCC.

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

C.1.4 LIQUIDITY RISK

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

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

The Company's Board, through the RCC, reviews available liquidity at least once a year. A monthly update on liquidity is also presented at the AZP Finance & Investments Forum.

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

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

Any changes in liquidity requirements identified in the monitoring process would be escalated to the RCC through the CFO.

The Company has access to a £150m revolving credit facility provided by Liverpool Victoria Insurance Company Limited (LVIC). The agreement with LVIC has been in force since September 2020 and will expire on 31 December 2023. The revolving credit facility is sufficient to cover the liquidity requirements arising from a 1 in 200 catastrophe event modelled in the stress and scenario testing exercise. The sufficiency of the facility is regularly monitored by the RCC.

C.1.5 OPERATIONAL RISK

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

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

For the remainder of the year 2022 and 2023, the main sources of operational risks are related to any outstanding deliverables for Project Orchard as well as the approach to manage the Part VII transfer and the MGA until the formal transfer of the business in 2023. None of these activities present a material risk to the Company's current strategic plan.

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

C.1.6 OTHER MATERIAL RISKS

There are no other material risks identified.

C.2 RISK CONCENTRATION

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

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

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

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

C.3 RISK MITIGATION

The Company uses reinsurance to manage the exposure to an accumulation of claims arising from a severe weather event. The joint catastrophe treaty currently in place covers the whole of LVGIG. This treaty is in force between 1 January 2022 and 31 December 2022. This treaty provides protection to LVIC, HICO and the Company. Under this treaty all losses from the three Companies are combined and ceded to the treaty. The treaty reinsures the Companies for total losses between £30m and £925m (2021: losses between £30m and £965m) for a single event. When the treaty is adjusted for the Company's exposure only, the treaty is equivalent to providing protection for Company losses between £8m and £260m (2021: between £15m and £475m). A further reinsurance treaty with Flood Re protects against flood losses in excess of £250 on policies ceded. Any terrorism risk underwritten by the company is ceded to Pool Re.

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

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

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

Adverse development cover has been put in place which passes on any strains (up to a defined cap of £15.2m) on reserves held as at 31 December 2018 to the reinsurer. This cover has now been exhausted as at 30 September 2022.

It is anticipated the Company will maintain comparable reinsurance arrangements throughout the run off of the business until the date of the Part VII.

C.4 LIQUIDITY RISK – EXPECTED PROFIT IN FUTURE PREMIUM

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

C.5 RISK SENSITIVITY

As Premium, Reserve and Catastrophe risk are the most material insurance risks within the Standard Formula, we show sensitivities for these. The table below shows the impact on the SCR of both increases and decreases.

Description	Impact on SCR (£m)	Impact on SCR (%)
Base SCR	36	
10% increase in all products future NEP	0	0%
10% decrease in all products future NEP	0	0%
10% increase in claims provisions	0	1%
10% decrease in claims provisions	(0)	-1%
10% increase in 1 in 200 gross CAT loss	1	1%
10% decrease in 1 in 200 gross CAT loss	(1)	-1%

Changes in future net earned premium ('NEP') does not impact SCR. The premium risk component of the Standard Formula calculations uses the maximum of the past and future premium. In the Company's SCR calculation, for all lines of business the past NEP is higher than future premium from 30 September 2022. Changes to the NEP therefore will not impact the premium risk component of the SCR.

Changes to the net claims provision do not have a material impact on the SCR with a 10% change in provisions having less than £0.3m impact on the SCR.

Changes to the gross 1 in 200 catastrophic ('CAT') loss within the standard formula has an immaterial impact on the SCR. This is due to the existence of catastrophe reinsurance cover which is designed to cover events in excess of the 1 in 200 loss.

Overall, it can be seen that the SCR is relatively insensitive to foreseeable changes in the business.

C.6 OTHER MATERIAL RISK INFORMATION

There is no other material risk information.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

The assets as at 30 September 2022 under Solvency II are £295m compared to the total value of assets under UK GAAP of £414m.

£m	Section Reference	30 SEP 2022	31 DEC 2021
Total UK GAAP Assets		414	586
Solvency II valuation differences	D.1.2	(119)	(207)
Total Solvency II Assets		295	379

D.1.1 SOLVENCY II VALUATION BASIS

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

The Directors have reviewed solvency and capital forecasts and consider that the Company has sufficient resources to continue operating for the foreseeable future and continue to meet all its liabilities and obligations as they fall due. The Directors have reviewed capital and liquidity forecasts, including under stressed scenarios, at least until 31 December 2023 as part of these considerations. The impact of the wider economic environment has also been considered in the solvency and liquidity projections underpinning this conclusion.

However, the Company has continued its plans for migration of its business and, with the exception of a specific contract with a Managing General Agent ('MGA'), all product lines are in run off. The last insurance policy falling under the contract with the MGA is due to expire by 1 April 2024 and the Company will write no further policies after 31 March 2023. The Directors have commenced a project to complete a transfer of general insurance liabilities under Part VII of the Financial Services & Markets Act 2000 ('Part VII') from the Company to a sister Company in the wider Group subject always to regulatory and Court approvals. It is intended that as part of the Part VII, and all associated activities, the Company will no longer have any trade, and therefore should the Part VII be sanctioned by the Court and approved by the regulators, the Directors are intending to take subsequent actions to dissolve the Company. It is anticipated that the Part VII and cessation of trade will be achieved in 2023, and as such it is considered no longer appropriate to apply a going concern basis in the preparation of these financial statements. This has not resulted in any material adjustments to the valuation of any financial statement line on a UK GAAP or Solvency II basis.

It is further noted that the conclusions made around the Company having sufficient resources to continue operating for the foreseeable future apply in the scenario of the Part VII proceeding, but also if it should not.

The Company has considered all additional legal and liquidation costs which may result from wind down and Part VII transfer of the Company's insurance business. To the extent that any Part VII and associated wind down costs exceed the costs already allowed for by the Company, these will be borne by other group Companies.

The bases, methods and main assumptions used to value each class of assets for UK GAAP can be found under the relevant accounting policy and note in the Company's financial statements.

D.1.2 SOLVENCY II VALUATION DIFFERENCES

The assets as at 30 September 2022 and the impact of valuation differences under UK GAAP are shown below. There have been no material changes to valuation bases used or estimations used during the period.

Assets (£m)	Ref	Solvency II 30 SEP 2022	UK GAAP 30 SEP 2022	Variance 2022	Solvency II 31 DEC 2021	UK GAAP 31 DEC 2021	Variance 2021
Deferred acquisition costs	D.1.2.1	-	24	(24)	-	42	(42)
Intangible assets	D.1.2.1	-	-	-	-	-	-
Deferred tax assets	D.1.2.2	8	7	1	11	6	5
Plant & equipment held for own use	D.1.2.3	-	-	-	-	-	-
Investments (other than assets held for index-linked and unit-linked contracts)		79	78	1	112	111	1
Holdings in related undertakings, including participations	D.1.2.4	-	-	-	1	-	1
Bonds	D.1.2.5	78	78	-	111	111	-
Reinsurance recoverables	D.1.2.6	132	182	(50)	180	234	(54)
Insurance and intermediaries receivables	D.1.2.7	14	52	(38)	-	107	(107)
Reinsurance receivables	D.1.2.6	-	7	(7)	-	8	(8)
Receivables (trade, not insurance)	D.1.2.8	45	46	(1)	62	64	(2)
Cash and cash equivalents	D.1.2.9	17	17	-	13	13	-
Total assets		295	414	(119)	379	586	(207)

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

D.1.2.1 INTANGIBLE ASSETS AND DEFERRED ACQUISITION COSTS

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

The impact of this adjustment is £24m as at 30 September 2022.

D.1.2.2 DEFERRED TAX ASSETS

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

The Company expects to be able to recover any future taxation losses through group relief if its own future profits are not sufficient. The Company expects to receive economic benefit for any unused capital allowances transferred as part of any part VII. This supports the carrying value of deferred tax assets as at 30 September 2022.

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

As at 30 September 2022 the Company has no PPE balances (2021: £nil) and therefore there is no difference between UK GAAP and Solvency II valuations.

D.1.2.4 HOLDINGS IN RELATED UNDERTAKINGS, INCLUDING PARTICIPATIONS

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

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

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

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

D.1.2.6 REINSURANCE RECOVERABLES AND RECEIVABLES

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

D.1.2.7 INSURANCE AND INTERMEDIARIES RECEIVABLES

In accordance with Solvency II guidelines premium cash flows falling due after the valuation date are recognised within technical provisions, and premiums overdue at the valuation date are recognised as an asset. Outstanding payment amounts overdue and not fully provided for as at 30 September 2022 amount to £14m and have continued to be recognised as an asset outside of technical provisions within insurance and intermediaries receivables whereas £38m has been included within Solvency II technical provisions.

D.1.2.8 RECEIVABLES (TRADE, NOT INSURANCE)

Trade receivables are valued at amortised cost. Amortisation is not allowed under Solvency II. We have deemed cost to be materially consistent with fair value given that our trade receivables are short term in nature, with the exception of advanced commission to distribution partners and prepaid expenses which are valued at nil under Solvency II. There is no advanced commission as at 30 September 2022. (2021: £1m).

Included within the £45m at 30 September 2022 is amounts relating to accounts in trust with suppliers (£11m) who have delegated authority for claims and current group undertakings (£33m).

D.1.2.9 CASH AND CASH EQUIVALENTS

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

D.1.3 VALUATION UNCERTAINTY

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

D.2 TECHNICAL PROVISIONS

A summary of our Technical Provisions (TPs) as at 30 September 2022 and 31 December 2021 is provided in the table below. Figures are gross of reinsurance.

30 September 2022

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

31 December **2021**

Technical provisions (£m)	Section Reference	Income protection	Motor vehicle liability	Fire and other damage to property	General liability	Misc. financial loss	Total
Claims provisions	D.2.1.5	3	-	112	13	9	136
Premium provisions	D.2.1.6	-	-	68	1	2	71
Best estimate	D.2.1.1	3	-	180	14	11	207
Risk margin	D.2.1.7	1	-	5	1	-	6
Total		4	-	185	14	11	214

Overall gross Claims provisions have decreased due to the runoff profile of the Broker and Direct Household, Pet and ASU books. The gross claims provision for Fire and other damage to property has increased in year as the Pen business is still being written and Subsidence and inflation have led to high claims experience in 2022.

Gross Premium provisions have decreased due to the reduction in exposure due to the runoff of several of the books of business. Premium debtors within the gross premium provision have also decreased as a result of the runoff.

The risk margin has also reduced over the nine month period mainly due to a reduction in net premium provisions.

D.2.1 SOLVENCY II VALUATION BASIS

Technical provisions are the sum of the best estimate liabilities (BEL) and the risk margin (RM).

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

D.2.1.1 BEST ESTIMATE LIABILITIES (BEL)

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

The gross of reinsurance BEL is calculated without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, but includes expenses in respect of these arrangements. The BEL is calculated at a level deemed appropriate for homogeneous risk groupings, at a minimum by line of business segmented according to Chapter 10 of the technical provisions part of the PRA Rulebook for Solvency II firms. The BEL is based on exposures and estimated exposures as at 30 September 2022 and are calculated using standard actuarial projection techniques.

Future premiums and their associated claims and expenses are only considered for the period up to where the policyholder has the option to automatically renew, extend, increase or resume the insurance contract. After this point we can vary the premiums and therefore the automatic renewal option point represents the appropriate contract boundary. The treatment for business distributed through MGAs is on a look through basis. This means that we treat the written but not incepted business through the MGAs as if it were in our main household book of business i.e. we look through the contract we have with them.

D.2.1.2 RISK MARGIN (RM)

The RM is calculated using information determined from, and therefore consistent with, the Company's Standard Formula SCR calculation. The SCR is projected over the full run off period of the technical provisions. The actual

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

D.2.1.3 DATA

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

A number of potential legacy data limitations have been identified and forms part of the assessment against the above. Actuarial have engaged the business to ensure all potential limitations are understood to ensure the calculation of the technical provisions remains appropriate in light of the additional uncertainty. Potential data limitations relate to the accuracy of case estimate reserves on the underlying system, appropriateness of the split of claims by head of damage and overall data availability.

Whilst the investigative work within the business continues, Actuarial have reduced the reliance on aspects of the data that are being investigated in order to ensure technical provisions remain appropriate. Adaptions undertaken include; the use of Actuarial projections on paid data, increases to the number of methodologies employed in order to produce a range of reasonable alternatives and understand the sensitivity of the projection methods, modelling conducted across heads of damage and further benchmarking from internal sources within other parts of the Allianz UK Group. The methods selected when setting the best estimate reserves are those that are deemed to adequately overcome the potential data limitations and are outlined further below.

Where data has been unavailable Actuarial have utilised trending techniques to ensure technical provisions remain appropriate. It is noted that the company only has limited exposure to areas where data is not available due to these areas either forming a small proportion of the company's liabilities or being wholly reinsured for the more recent accident years.

The Actuarial process and modelling approach amendments has been deemed to be adequately robust in ensuring the level of technical provisions remain within a reasonable range.

D.2.1.4 METHODOLOGY

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

D.2.1.5 CLAIMS PROVISIONS

D.2.1.5.1 HOUSEHOLD

Claims are split by peril across buildings and contents sections, however only a limited peril split is utilised within the modelling, as outlined in Section D.2.1.3. A number of different methods are used to calculate the best estimate ultimate cost of claims, which includes:

- incurred chain ladder projections – an incurred data set is projected to an ultimate position using a chain ladder technique. The loss date is selected as the accident period and development month is selected as the development period. The data is split by month. This method relies on the stability of the claims reporting, handling and settlement process underpinning the data in the past and whether this is representative of what we think would happen in the future given our knowledge of the business and operational aspects of the claims process;

- paid chain ladder projections – this is the same as the incurred chain ladder method except paid data is selected rather than incurred data;
- average cost per claim methods – an assumed average cost is multiplied by the expected number of claims to get the ultimate cost. This method can be based on all claims or closed claims. This method can be used if the data is not stable enough to form credible chain ladder ultimate costs;
- loss ratio method – a selected loss ratio is multiplied by the earned premium to estimate the ultimate cost;
- blended methods of the above – sometimes it is appropriate to put some reliance on current data and some reliance on past data. These methods are referred to as the ‘Bornhuetter-Ferguson method’; and
- large and small claim split – if large and small claims have different development patterns then it may be appropriate to split the experience into two. The aim of this would be to give more stable results. The ultimate cost of the large and small claims may be calculated using the same or different methods as per above. The Claims team have reviewed the estimates of the largest liability claims in order to ensure they are an accurate reflection of the expected settlement cost.

Fees and recoveries are projected separately and then combined with the claim projection to get to a net claims projection.

D.2.1.5.2 ACCIDENT, SICKNESS AND UNEMPLOYMENT (ASU)

Projections are made based on the possible states of a claim, of which there are three types. The reserves are identified below as are the formulas required:

- In the Course of Payment (ICOP) = monthly benefit x outstanding number of payments
- Notified but not but Accepted (NBNA) = monthly benefit x acceptance rate x outstanding claim duration
- Incurred but not reported (IBNR) = number of IBNR claims x monthly benefit x acceptance rate x claim duration

Since Wessex became responsible for handling ASU claims in Q3 of 2021 their terminology for ICOP and NBNA claims have been ‘Active claims’ and ‘Pending claims’ respectively.

A combination of actual data, assumptions and triangulation is used to project claims to an ultimate position. Reserves are set based on the outstanding claims in the Wessex bordereau file rather than the ASU data in the Reserving Mart created by the Company’s Business Intelligence team.

D.2.1.5.3 PET

A loss ratio method is used for the Aquarium account due to data restrictions. For some accident periods, we adjust the planned loss ratio using information from the business planning and pricing teams before we apply this to the gross earned premiums.

For the Buddies account, paid claims triangles have been used for the first time as at 30 September 2022 to project the ultimate claims cost. This led to a £0.8m reduction in the projected ultimate cost of these claims.

D.2.1.5.4 OTHER ADJUSTMENTS

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

D.2.1.6 PREMIUM PROVISIONS

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

A detailed investigation by cost centre is carried out by the finance team to identify the expense provision required.

D.2.1.6.1 HOUSEHOLD

A future loss ratio has been estimated for the unearned household business. The future loss ratio is based on recent loss ratio experience adjusted for inflation, expected subsidence experience and seasonality. A separate loss ratio is selected for the main household account and the MGA business.

Separate reserves are held for events not in data (ENIDs). The ENID is estimated by considering various scenarios which are relevant to household insurance.

D.2.1.6.2 ACCIDENT, SICKNESS AND UNEMPLOYMENT (ASU)

As at 30 September 2022 there is no longer any unearned premium for the ASU book. Therefore, there are no claims associated with unearned business. A proportion of the future expenses relating to the management of the runoff of the ASU book are included in the premium provision.

D.2.1.6.3 PET

As at 30 September 2022 there is no longer any unearned premium for the Pet account. Therefore there are no claims associated with unearned business. A proportion of the future expenses relating to the management of the runoff of the Pet book are included in the premium provision.

D.2.1.6.4 OTHER ADJUSTMENTS

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

D.2.2 MAIN ASSUMPTIONS

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

D.2.2.1 HOUSEHOLD

- For future exposure we adjust past data for actual and projected claims inflation;
- development factors – these are estimated and applied to claims projections with the objective of developing claims to their ultimate level;
- prior loss ratio assumptions, including seasonality adjustments – if recent data is volatile or lacks credibility then a prior loss ratio can be used. This will be based off past claims data, as will the seasonality adjustments;
- splits of ratios in Bornhuetter-Ferguson approaches – the weighting given to each method will be based on an appropriate measure and generally taken from past claims data;
- development ratios for current incurred claims to an ultimate position – based off past claims data;
- fee and recovery amounts and frequencies for recent periods – based on past data with the user selecting the appropriate value based on expert judgement of the trends;
- claims handling expenses – assumption based on historical claim handling expenses reported in the revenue account from finance;
- mid-term cancellation (MTC) rates – based off the historical experience of MTCs;
- mix of liability to non-liability claims – based off past data from the claim trends process; and
- amount of written but not incepted business – only one MGA is continuing to write business as at 30 September. An appropriate allowance for written but not incepted business has been made in the Gross Provisions with an equal offset in the reinsurance due to the 100% quota share arrangement in respect of this book of business.

D.2.2.2 ASU

All ASU assumptions are based on past internal data for:

- Claim acceptance rates
- Claim duration rates
- Number of IBNR claims – developed using data from past claims
- Average monthly benefit
- Mid-term cancellation rates
- Default risk

D.2.2.3 PET

- Loss ratio – based off Pricing expected loss ratio
- Mid-term cancellation rates – based off the historical experience

Pet business is no longer being written and as such it is assumed that there is no written but not incepted business.

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

A framework to assess the confidence in the methodology and assumptions has been established, with an appropriate review and governance process in place. The framework ensures adequate challenge and validation by experienced actuaries, accountants and the wider business (including Senior Management) is in place.

The assumptions underpinning the technical provision calculations are the best estimate view of our business. Experience investigations using data are undertaken regularly and the results used to inform the choice of best estimate assumptions. This is augmented by expert judgement, where past experience is not considered to be an appropriate reflection of future expectations.

The main areas of uncertainty arise from future claims inflation, propensity to claim, data quality and general policyholder behaviour. The assumptions are regularly reviewed and updated in the technical provisions calculations. The risk of the technical provisions being insufficient is modelled within the SCR.

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

D.2.4 RECONCILIATION BETWEEN UK GAAP AND SOLVENCY II VALUATION

The table below shows the BEL under Solvency II and the UK GAAP provisions as at 30 September 2022 and 31 December 2021.

30 September 2022

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

31 December 2021

Technical provisions (£m)	Section reference	Solvency II	UK GAAP	UK GAAP valuation differences
Claims provisions	D.2.1.5	136	160	(24)
Premium provisions	D.2.1.6	71	162	(91)
Best estimate	D.2.1.1	207	322	(115)
Risk margin	D.2.1.7	6	0	6
Total		214	322	(108)

The technical provisions (TPs) are lower under Solvency II because cash flows are calculated using best estimate assumptions excluding margins, discounted to allow for the time value of money and they allow for mid-term cancellations. Premium reserves are lower, primarily due to certain premium debtors shifting from the asset side of the balance sheet under UK GAAP to the liabilities side of the balance sheet (as a positive cash flow offsetting future negative cash flows from claims) under Solvency II. UK GAAP does not require an explicit margin, whilst Solvency II does require a risk margin.

D.2.5 MATCHING ADJUSTMENT, VOLATILITY ADJUSTMENT AND TRANSITIONAL MEASURES

The Company does not utilise any of these arrangements.

D.2.6 REINSURANCE RECOVERABLES

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

- a 50% quota share agreement to cover all business, which acts after the other reinsurance arrangements
- a 100% quota share agreement to cover specified MGA business from 31 December 2019
- a catastrophe treaty
- an adverse development cover treaty providing protection against deterioration of the reserves held at 31 December 2018 up to a cap of £15.2m
- Flood Re cover (which is a rolling treaty covering individual risks on an excess of loss basis),

- A liability treaty for individual large liability claims (effective until 30 June 2021)
- a 100% quota share agreement with DAS to cover legal expenses
- Pool Re to cover terrorism

The general reinsurance principle on the catastrophe is to provide cover for extreme events that would have a significant impact on the Company. The reinsurance recoverable asset is unadjusted for the best estimate probability of reinsurer default as this has been estimated and judged to be immaterial.

D.2.7 MATERIAL CHANGES FROM YEAR ENDED 2021

There have been no other material changes in methodology.

D.2.8 SIGNIFICANT SIMPLIFIED MEASURES

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

D.3 OTHER LIABILITIES

As at 30 September 2022 and 31 December 2021 the company had other liabilities as follows:

Other liabilities (£m)	Reference	Solvency II 30 SEP 2022	UK GAAP 30 SEP 2022	Variance 2022	Solvency II 31 DEC 2021	UK GAAP 31 DEC 2021	Variance 2021
Insurance and intermediaries payables	D.3.1	2	3	(1)	2	6	(4)
Reinsurance payables	D.3.2	14	45	(31)	-	38	(38)
Payables (trade, not insurance)	D.3.3	26	50	(24)	33	75	(42)
Deposits from Reinsurers	D.3.4	18	18	-	-	-	-
Total		60	116	(56)	35	119	(84)

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

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

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

D.3.1 INSURANCE AND INTERMEDIARIES PAYABLES

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

D.3.2 REINSURANCE PAYABLES

Reinsurance payables are included within technical provisions under Solvency II (section D.2 provides further details) with the exception of £14m of reinsurance payables due under the 100% MGA quota share arrangement which are deemed overdue as at 30 September 2022.

D.3.3 PAYABLES (TRADE, NOT INSURANCE)

Payable (trade, not insurance) are valued at amortised cost under UK GAAP. The difference between UK GAAP and SII (£24m) is principally due to reinsurers' share of deferred acquisition costs not recognised under Solvency II.

D.3.4 DEPOSITS FROM REINSURERS

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

D.3.5 OFF BALANCE SHEET ITEMS

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

As at 30 September 2022, no contingent liabilities were identified in respect of the above indemnity, as the potential liability was considered immaterial.

D.3.6 CONTINGENT LIABILITIES

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

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

D.4 ALTERNATIVE METHODS OF VALUATION

No alternative methods of valuation have been used.

D.5 ANY OTHER INFORMATION

No further information.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

E.1.1 OBJECTIVES FOR MANAGING OWN FUNDS

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

E.1.2 QUANTITATIVE EXPLANATION OF OWN FUNDS

The components of the UK GAAP equity and the Solvency II Own Funds as at 30 September 2022 and 31 December 2021 are presented below:

Own Funds (£m)	UK GAAP equity 30 SEP 2022	Solvency II basic Own Funds 30 SEP 2022	UK GAAP equity 31 DEC 2021	Solvency II basic Own Funds 31 DEC 2021
Ordinary shares	37	37	37	37
Share premium	-	-	96	96
Retained earnings	42	-	12	-
Available for sale reserve	(7)	-	-	-
Deferred Tax Asset	-	8	-	11
Reconciliation reserve	-	25	-	(14)
Total	72	71	145	130

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

All of our Own Funds have been assessed as basic Own Funds. There are no ancillary Own Fund items included in total Own Funds. Material basic Own Funds have been assessed against Article 71 of the Delegated Regulation and accordingly been categorised as unrestricted Tier 1 Own Funds with the exception of the deferred tax asset which is categorised as Tier 3 Own Funds. There is a restriction on the eligibility of the tier 3 capital to 15% of the Solvency Capital Requirement. £3m (2021: £2m) of the available own funds is not included in eligible own funds for this reason.

£m	Total 30 SEP 2022	Total 31 DEC 2021
Solvency Capital Requirement	36	62
Solvency Surplus	32	66
Ratio of eligible Own Funds to SCR	1.87	2.08
Minimum Capital Requirement	9	15
Minimum Capital Surplus	53	103
Ratio of eligible Own Funds to MCR	6.87	7.71

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

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

E.1.4 RESTRICTIONS ON OWN FUNDS

As at 30 September 2022, there were no restrictions affecting the availability and transferability of Own Funds, or ring-fencing.

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

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

£m		30 SEP 2022	31 DEC 2021
UK GAAP shareholders' equity		72	145
Solvency II excess of assets over liabilities		71	130
Difference		(2)	(15)
Explained by:			
Difference in the valuation of assets	Section D1	(119)	(207)
Difference in the valuation of technical provisions	Section D2	61	108
Difference in the valuation of other liabilities	Section D3	56	84
Total:		(2)	(15)

E.1.6 RECONCILIATION RESERVE

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

The calculation of the reconciliation reserve is as follows:

£m	30 SEP 2022	31 DEC 2021	
Excess of assets over liabilities	71	130	(per QRT S.02.01.01)
Ordinary share capital	(37)	(37)	
Share premium account	-	(96)	
Deferred Tax Asset	(8)	(11)	
Reconciliation reserve	25	(14)	

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 SOLVENCY CAPITAL REQUIREMENT (SCR)

Our SCR as at 30 September 2022 was £36m. This was calculated using the Standard Formula, with no capital add-ons applied.

The SCR has decreased from £62m to £36m over the nine months to 30 September 2022. This is largely due to the reductions in exposure following the migration of policies into LVIC and Allianz Insurance plc.

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

E.2.2 MINIMUM CAPITAL REQUIREMENT (MCR)

The MCR as at 30 September 2022 was £9m. Calculation of the MCR uses data on net written premiums, net technical provisions and EIOPA specifications including exchange rates, and is subject to a minimum of 25% of SCR and maximum of 45% of SCR. Our MCR is calculated based on the MCR floor which is 25% of the SCR.

The MCR has decreased from £15m to £9m over the nine months to 30 September 2022. This is due to a decrease in the net written premium and net technical provisions over the nine months to 30 September 2022 compared to 31 December 2021. The linear MCR which is based on the level of technical provisions and written premium is now lower than the MCR floor. It is therefore the MCR floor which gets used in Company's MCR calculation.

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

Not applicable as this relates to life insurance business.

E.4 INTERNAL MODEL INFORMATION

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

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

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

E.6 ANY OTHER INFORMATION

No other information.

ANNEX 1 – QUANTITATIVE REPORTING TEMPLATES (QRTS)

S.02.01.01

Balance sheet

	Solvency II value	Statutory accounts value
	C0010	C0020
Assets		
R0010 Goodwill		
R0020 Deferred acquisition costs		23,814,943.11
R0030 Intangible assets		
R0040 Deferred tax assets	8,158,786.26	7,471,652.00
R0050 Pension benefit surplus		
R0060 Property, plant & equipment held for own use		
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	78,677,018.60	78,343,508.71
R0080 <i>Property (other than for own use)</i>		
R0090 <i>Holdings in related undertakings, including participations</i>	333,509.89	
R0100 <i>Equities</i>	0.00	0.00
R0110 <i>Equities - listed</i>		
R0120 <i>Equities - unlisted</i>		
R0130 <i>Bonds</i>	78,343,508.71	78,343,508.71
R0140 <i>Government Bonds</i>	24,609,260.99	24,609,260.99
R0150 <i>Corporate Bonds</i>	53,356,278.32	53,356,278.32
R0160 <i>Structured notes</i>		
R0170 <i>Collateralised securities</i>	377,969.40	377,969.40
R0180 <i>Collective Investments Undertakings</i>		
R0190 <i>Derivatives</i>		
R0200 <i>Deposits other than cash equivalents</i>		
R0210 <i>Other investments</i>		
R0220 Assets held for index-linked and unit-linked contracts		
R0230 Loans and mortgages	0.00	0.00
R0240 <i>Loans on policies</i>		
R0250 <i>Loans and mortgages to individuals</i>		
R0260 <i>Other loans and mortgages</i>		
R0270 Reinsurance recoverables from:	132,270,945.00	182,441,513.75
R0280 <i>Non-life and health similar to non-life</i>	132,270,945.00	182,441,513.75
R0290 <i>Non-life excluding health</i>	132,031,698.76	182,264,739.79
R0300 <i>Health similar to non-life</i>	239,246.24	176,773.96
R0310 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	0.00	0.00
R0320 <i>Health similar to life</i>		
R0330 <i>Life excluding health and index-linked and unit-linked</i>		
R0340 <i>Life index-linked and unit-linked</i>		
R0350 Deposits to cedants		
R0360 Insurance and intermediaries receivables	13,621,907.28	51,561,532.97
R0370 Reinsurance receivables		6,871,756.91
R0380 Receivables (trade, not insurance)	44,582,644.81	45,878,053.22
R0390 Own shares (held directly)		
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00	
R0410 Cash and cash equivalents	17,432,096.05	17,432,096.05
R0420 Any other assets, not elsewhere shown		
R0500 Total assets	294,743,398.00	413,815,056.72

	Solvency II value	Statutory accounts value
	C0010	C0020
Liabilities		
R0510 Technical provisions - non-life	164,482,691.64	225,268,359.79
R0520 <i>Technical provisions - non-life (excluding health)</i>	163,953,023.04	224,914,811.87
R0530 <i>TP calculated as a whole</i>	0.00	
R0540 <i>Best Estimate</i>	160,283,291.77	
R0550 <i>Risk margin</i>	3,669,731.27	
R0560 <i>Technical provisions - health (similar to non-life)</i>	529,668.60	353,547.92
R0570 <i>TP calculated as a whole</i>	0.00	
R0580 <i>Best Estimate</i>	431,282.40	
R0590 <i>Risk margin</i>	98,386.20	
R0600 Technical provisions - life (excluding index-linked and unit-linked)	0.00	0.00
R0610 <i>Technical provisions - health (similar to life)</i>	0.00	
R0620 <i>TP calculated as a whole</i>		
R0630 <i>Best Estimate</i>		
R0640 <i>Risk margin</i>		
R0650 <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0.00	
R0660 <i>TP calculated as a whole</i>		
R0670 <i>Best Estimate</i>		
R0680 <i>Risk margin</i>		
R0690 Technical provisions - index-linked and unit-linked	0.00	
R0700 <i>TP calculated as a whole</i>		
R0710 <i>Best Estimate</i>		
R0720 <i>Risk margin</i>		
R0730 Other technical provisions		
R0740 Contingent liabilities		
R0750 Provisions other than technical provisions		
R0760 Pension benefit obligations		
R0770 Deposits from reinsurers	18,227,650.00	18,227,650.00
R0780 Deferred tax liabilities		
R0790 Derivatives		
R0800 Debts owed to credit institutions		
R0810 Financial liabilities other than debts owed to credit institutions		
R0820 Insurance & intermediaries payables	2,132,290.00	3,143,908.66
R0830 Reinsurance payables	13,621,907.28	45,178,875.97
R0840 Payables (trade, not insurance)	25,733,654.15	49,723,164.50
R0850 Subordinated liabilities	0.00	0.00
R0860 <i>Subordinated liabilities not in BOF</i>		
R0870 <i>Subordinated liabilities in BOF</i>	0.00	
R0880 Any other liabilities, not elsewhere shown		
R0900 Total liabilities	224,198,193.07	341,541,958.92
R1000 Excess of assets over liabilities	70,545,204.93	72,273,097.80

S.05.01.01

Premiums, claims and expenses by line of business

Non-life

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Total
	Income protection insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
	C0020	C0070	C0080	C0120	C0200
Premiums written					
R0110 <i>Gross - Direct Business</i>	32,322.61	97,651,331.19	2,502,164.22	-50,745.01	100,135,073.02
R0120 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0130 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0140 <i>Reinsurers' share</i>	16,161.31	89,995,200.20	2,118,717.77	-25,372.50	92,104,706.78
R0200 <i>Net</i>	16,161.31	7,656,130.99	383,446.45	-25,372.50	8,030,366.24
Premiums earned					
R0210 <i>Gross - Direct Business</i>	817,789.98	161,237,173.09	4,293,313.74	10,422,201.63	176,770,478.44
R0220 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0230 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0240 <i>Reinsurers' share</i>	408,894.99	123,058,438.17	3,012,450.33	5,211,100.82	131,690,884.31
R0300 <i>Net</i>	408,894.99	38,178,734.92	1,280,863.40	5,211,100.82	45,079,594.13
Claims incurred					
R0310 <i>Gross - Direct Business</i>	-1,067,416.51	106,368,858.40	2,511,143.88	4,274,018.84	112,086,604.61
R0320 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0330 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0340 <i>Reinsurers' share</i>	-518,913.54	81,059,942.72	1,340,041.69	2,127,725.79	84,008,796.67
R0400 <i>Net</i>	-548,502.97	25,308,915.68	1,171,102.19	2,146,293.05	28,077,807.95
Changes in other technical provisions					
R0410 <i>Gross - Direct Business</i>	0.00	5,286,000.00	0.00	0.00	5,286,000.00
R0420 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0430 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0440 <i>Reinsurers' share</i>	0.00	4,044,000.00	0.00	0.00	4,044,000.00
R0500 <i>Net</i>	0.00	1,242,000.00	0.00	0.00	1,242,000.00
R0550 Expenses incurred	372,351.09	30,663,476.56	783,919.55	2,922,615.27	34,742,362.47
Administrative expenses					
R0610 <i>Gross - Direct Business</i>	250,619.96	34,111,485.36	756,371.52	2,998,414.71	38,116,891.55
R0620 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0630 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0640 <i>Reinsurers' share</i>	770.37	7,761,271.77	46,685.17	-1,644.49	7,807,082.83
R0700 <i>Net</i>	249,849.59	26,350,213.59	709,686.35	3,000,059.20	30,309,808.73
Investment management expenses					
R0710 <i>Gross - Direct Business</i>	288.26	37,038.45	1,003.04	3,516.57	41,846.32
R0720 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0730 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0740 <i>Reinsurers' share</i>	0.00	0.00	0.00	0.00	0.00
R0800 <i>Net</i>	288.26	37,038.45	1,003.04	3,516.57	41,846.32
Claims management expenses					
R0810 <i>Gross - Direct Business</i>	54,614.00	5,096,776.43	141,805.41	724,851.17	6,018,047.00
R0820 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0830 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0840 <i>Reinsurers' share</i>	27,307.00	2,548,388.25	70,902.71	362,425.58	3,009,023.54
R0900 <i>Net</i>	27,307.00	2,548,388.17	70,902.70	362,425.58	3,009,023.46
Acquisition expenses					
R0910 <i>Gross - Direct Business</i>	254,784.18	49,137,168.08	1,145,348.87	1,594,154.33	52,131,455.46
R0920 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R0930 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R0940 <i>Reinsurers' share</i>	159,877.94	47,409,331.73	1,143,021.41	2,037,540.42	50,749,771.50
R1000 <i>Net</i>	94,906.24	1,727,836.34	2,327.46	-443,386.09	1,381,683.96
Overhead expenses					
R1010 <i>Gross - Direct Business</i>	0.00	0.00	0.00	0.00	0.00
R1020 <i>Gross - Proportional reinsurance accepted</i>	0.00	0.00	0.00	0.00	0.00
R1030 <i>Gross - Non-proportional reinsurance accepted</i>					0.00
R1040 <i>Reinsurers' share</i>	0.00	0.00	0.00	0.00	0.00
R1100 <i>Net</i>	0.00	0.00	0.00	0.00	0.00
R1200 Other expenses					
R1300 Total expenses					34,742,362.47

S.17.01.01

Non-Life Technical Provisions

R0010 Technical provisions calculated as a whole
 R0020 Direct business
 R0030 Accepted proportional reinsurance business
 R0040 Accepted non-proportional reinsurance
 R0050 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

R0060 Gross - Total
 R0070 Gross - direct business
 R0080 Gross - accepted proportional reinsurance business
 R0090 Gross - accepted non-proportional reinsurance business
 R0100 Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default
 R0110 Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses
 R0120 Recoverables from SPV before adjustment for expected losses
 R0130 Recoverables from Finite Reinsurance before adjustment for expected losses
 R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
 R0150 Net Best Estimate of Premium Provisions

Claims provisions

R0160 Gross - Total
 R0170 Gross - direct business
 R0180 Gross - accepted proportional reinsurance business
 R0190 Gross - accepted non-proportional reinsurance business
 R0200 Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default
 R0210 Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses
 R0220 Recoverables from SPV before adjustment for expected losses
 R0230 Recoverables from Finite Reinsurance before adjustment for expected losses
 R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
 R0250 Net Best Estimate of Claims Provisions

R0260 Total best estimate - gross

R0270 Total best estimate - net

R0280 Risk margin

Amount of the transitional on Technical Provisions

R0290 TP as a whole

R0300 Best estimate

R0310 Risk margin

R0320 Technical provisions - total

R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Line of Business (LoB): further segmentation (Homogeneous Risk Groups)

R0350 Premium provisions - Total number of homogeneous risk group

R0360 Claims provisions - Total number of homogeneous risk groups

Cash-flows of the Best estimate of Premium Provisions (Gross)

Cash out-flows

R0370 Future benefits and claims

R0380 Future expenses and other cash out-flows

Cash in-flows

R0390 Future premiums

R0400 Other cash in-flows (incl. Recoverables from salvages and subrogations)

Cash-flows of the Best estimate of Claims Provisions (Gross)

Cash out-flows

R0410 Future benefits and claims

R0420 Future expenses and other cash out-flows

Cash in-flows

R0430 Future premiums

R0440 Other cash in-flows (incl. Recoverables from salvages and subrogations)

R0450 Percentage of gross Best Estimate calculated using approximations

R0460 Best estimate subject to transitional of the interest rate

R0470 Technical provisions without transitional on interest rate

R0480 Best estimate subject to volatility adjustment

R0490 Technical provisions without volatility adjustment and without others transitional measures

Direct business and accepted proportional reinsurance				Total Non-Life obligation
Income protection insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
C0030	C0080	C0090	C0130	C0180
0.00	0.00	0.00	0.00	

61,590.68	28,846,095.70	59,256.80	871,760.04	29,838,703.23
61,590.68	28,846,095.70	59,256.80	871,760.04	29,838,703.23
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	20,013,258.06	115,395.49	5,313.74	20,133,967.30
0.00	20,013,258.06	115,395.49	5,313.74	20,133,967.30
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	20,013,258.06	115,395.49	5,286.85	20,133,940.40
61,590.68	8,832,837.64	-56,138.69	866,473.19	9,704,762.83

369,691.72	117,624,555.58	9,311,901.88	3,569,721.76	130,875,870.94
369,691.72	117,624,555.58	9,311,901.88	3,569,721.76	130,875,870.94
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
239,246.24	106,944,626.13	2,724,935.80	2,228,196.42	112,137,004.60
239,246.24	106,944,626.13	0.00	2,228,196.42	109,412,068.80
0.00	0.00	0.00	0.00	0.00
0.00	0.00	2,724,935.80	0.00	2,724,935.80
239,246.24	106,944,626.13	2,724,935.80	2,228,196.42	112,137,004.60
130,445.48	10,679,929.45	6,586,966.08	1,341,525.34	18,738,866.35

431,282.40	146,470,651.29	9,371,158.68	4,441,481.80	160,714,574.17
192,036.16	19,512,767.10	6,530,827.39	2,207,998.53	28,443,629.17

98,386.20	3,350,049.97	310,712.16	8,969.14	3,768,117.47
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529,668.61	149,820,701.26	9,681,870.84	4,450,450.94	164,482,691.65
239,246.24	126,957,884.19	2,840,331.29	2,233,483.27	132,270,945.00
290,422.36	22,862,817.06	6,841,539.55	2,216,967.67	32,211,746.65

1	1	2	2
1	1	2	2

0.00	51,766,011.56	110,562.65	0.00	51,876,574.21
61,590.68	10,310,655.78	24,455.88	913,983.15	11,310,685.49
0.00	31,194,504.97	68,392.22	7,208.63	31,270,105.82
0.00	2,036,066.67	7,369.50	0.00	2,043,436.17

362,750.14	129,347,735.21	10,536,354.26	3,550,418.52	143,797,258.13
7,255.00	1,234,367.66	100,420.43	71,008.37	1,413,051.47

313.42	7,870,027.42	622,576.91	51,705.13	8,544,622.88
0.00	5,087,519.87	702,295.90	0.00	5,789,815.77

				0.00
				0.00
				0.00
				0.00

S.19.01.01																				
Non-life insurance claims																				
			Line of business	Z010	2															
			Accident year / Underwriting year	Z020	1															
			Currency	Z030	GBP															
			Currency conversion	Z040																
Gross Claims Paid (non-cumulative)																				
(absolute amount)																				
				Development year																
Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	In Current year		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170		
Prior	R0100																	R0100	33,743	
N-14	R0110	112,856,716	58,050,767	5,403,300	2,083,569	972,612	706,441	420,236	247,202	82,317	167,312	14,158	-1,574,177	6,882	3,733	1,665		R0110	1,665	
N-13	R0120	88,835,005	53,794,779	5,948,231	1,496,006	2,696,108	376,382	345,674	538,061	156,330	210,046	955,716	113,075	79,622	51,490			R0120	51,490	
N-12	R0130	81,191,111	81,899,524	9,007,534	3,621,396	586,952	299,847	617,059	729,463	116,537	324,962	62,515	10,936	76,338				R0130	76,338	
N-11	R0140	72,465,795	38,809,045	6,051,611	1,249,320	658,533	878,043	417,692	22,503	19,881	128,125	226,377	22,633					R0140	22,633	
N-10	R0150	89,891,774	47,758,961	4,154,834	1,472,397	433,259	745,998	193,421	-248,122	68,624	109,403	20,558						R0150	20,558	
N-9	R0160	78,368,401	58,634,845	5,112,236	1,418,029	1,058,021	975,931	-330,347	229,658	-38,144	-49,313							R0160	-49,313	
N-8	R0170	100,989,237	49,021,896	3,854,889	1,764,841	1,296,367	1,482,200	1,148,016	476,134	968,527								R0170	968,527	
N-7	R0180	86,291,881	60,098,200	5,413,015	1,465,771	602,167	722,761	754,487	731,101									R0180	731,101	
N-6	R0190	83,024,106	51,565,098	5,454,620	2,294,013	928,968	1,989,421	2,257,545										R0190	2,257,545	
N-5	R0200	95,636,277	54,334,488	7,584,019	3,251,712	1,885,147	2,815,425											R0200	2,815,425	
N-4	R0210	123,229,651	81,920,755	17,032,137	9,533,026	5,174,742												R0210	5,174,742	
N-3	R0220	119,231,045	84,897,494	21,969,745	4,260,565													R0220	4,260,565	
N-2	R0230	124,058,880	92,474,955	8,776,015														R0230	8,776,015	
N-1	R0240	81,165,337	69,575,552															R0240	69,575,552	
N	R0250	32,264,338																R0250	32,264,338	
																		Total	R0260	126,980,925
Gross undiscounted Best Estimate Claims Provisions																				
(absolute amount)																				
				Development year																
Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	Year end (discounted data)		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350	C0360		
Prior	R0100																	R0100	57,185	
N-14	R0110									114,076	-156,108	-203,628	42,812	31,876	115,600	114,042	61,844	R0110	105,451	
N-13	R0120								283,382	218,215	97,007	89,424	63,311	137,468	144,880			R0120	133,925	
N-12	R0130							760,746	378,237	268,479	238,243	74,829	137,984	124,770				R0130	115,370	
N-11	R0140						1,136,576	385,933	276,666	231,421	865,701	-70,543	445,092					R0140	411,561	
N-10	R0150					1,274,240	182,008	71,214	294,228	246,446	39,998	228,598						R0150	211,376	
N-9	R0160				5,170,419	2,722,657	436,270	378,517	936,194	668,375	1,663,669							R0160	1,538,338	
N-8	R0170			3,885,086	3,529,616	1,904,130	2,499,140	3,370,154	1,994,058	561,595								R0170	519,288	
N-7	R0180		9,961,179	4,567,866	2,180,703	2,677,816	2,237,598	931,211	-393,088									R0180	-363,475	
N-6	R0190		62,054,751	8,793,539	4,188,500	3,515,080	3,012,543	1,254,821	-2,024,167									R0190	-1,871,677	
N-5	R0200		70,163,072	11,971,678	5,262,145	2,801,521	2,462,197	24,269										R0200	22,441	
N-4	R0210		103,631,474	25,479,939	15,699,758	8,722,297	5,318,673											R0210	4,917,995	
N-3	R0220		99,017,401	30,441,672	12,398,156	8,757,619												R0220	8,097,725	
N-2	R0230		118,820,020	25,487,392	16,644,167													R0230	15,388,612	
N-1	R0240		85,948,167	33,651,405														R0240	31,145,045	
N	R0250		76,064,523															R0250	70,446,711	
																		Total	R0260	130,875,871

**S.23.01.01
Own Funds**

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010 Ordinary share capital (gross of own shares)
R0030 Share premium account related to ordinary share capital
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050 Subordinated mutual member accounts
R0070 Surplus funds
R0090 Preference shares
R0110 Share premium account related to preference shares
R0130 Reconciliation reserve
R0140 Subordinated liabilities
R0160 An amount equal to the value of net deferred tax assets
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
37,000,000.00	37,000,000.00		0.00	
0.00	0.00		0.00	
0.00			0.00	
0.00		0.00	0.00	0.00
0.00	0.00			
0.00		0.00	0.00	0.00
0.00		0.00	0.00	0.00
25,386,418.67	25,386,418.67			
0.00		0.00	0.00	0.00
8,158,786.26				8,158,786.26
0.00	0.00	0.00	0.00	0.00

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

0.00

Deductions

R0230 Deductions for participations in financial and credit institutions

0.00	0.00	0.00	0.00	
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R0290 **Total basic own funds after deductions**

70,545,204.93	62,386,418.67	0.00	0.00	8,158,786.26
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Ancillary own funds

R0300 Unpaid and uncalled ordinary share capital callable on demand
R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type
R0320 Unpaid and uncalled preference shares callable on demand
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390 Other ancillary own funds
R0400 **Total ancillary own funds**

0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00			0.00	0.00

Available and eligible own funds

R0500 Total available own funds to meet the SCR
R0510 Total available own funds to meet the MCR
R0540 Total eligible own funds to meet the SCR
R0550 Total eligible own funds to meet the MCR

70,545,204.93	62,386,418.67	0.00	0.00	8,158,786.26
62,386,418.67	62,386,418.67	0.00	0.00	
67,836,625.87	62,386,418.67	0.00	0.00	5,450,207.20
62,386,418.67	62,386,418.67	0.00	0.00	

R0580 **SCR**

36,334,714.67

R0600 **MCR**

9,083,678.67

R0620 **Ratio of Eligible own funds to SCR**

186.70%

R0640 **Ratio of Eligible own funds to MCR**

686.80%

Reconciliation reserve

R0700 Excess of assets over liabilities
R0710 Own shares (held directly and indirectly)
R0720 Foreseeable dividends, distributions and charges
R0730 Other basic own fund items
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760 **Reconciliation reserve**

C0060
70,545,204.93
0.00
45,158,786.26
25,386,418.67

Expected profits

R0770 Expected profits included in future premiums (EPIFP) - Life business
R0780 Expected profits included in future premiums (EPIFP) - Non- life business
R0790 **Total Expected profits included in future premiums (EPIFP)**

-6,095,191.73
-6,095,191.73

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Z0010

Article 112

Regular reporting

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
	C0030	C0040	C0050	C0090	C0120
R0010 Market risk	4,604,505.99	4,604,505.99	0.00		
R0020 Counterparty default risk	5,715,386.98	5,715,386.98	0.00		
R0030 Life underwriting risk			0.00		
R0040 Health underwriting risk	239,606.30	239,606.30	0.00		
R0050 Non-life underwriting risk	23,198,562.08	23,198,562.08	0.00		
R0060 Diversification	-5,606,859.62	-5,606,859.62			
R0070 Intangible asset risk		0.00			
R0100 Basic Solvency Capital Requirement	28,151,201.73	28,151,201.73			
Calculation of Solvency Capital Requirement					
R0120 Adjustment due to RFF/MAP nSCR aggregation					
R0130 Operational risk	8,183,512.94				
R0140 Loss-absorbing capacity of technical provisions	0.00				
R0150 Loss-absorbing capacity of deferred taxes					
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC					
R0200 Solvency Capital Requirement excluding capital add-on	36,334,714.67				
R0210 Capital add-ons already set					
R0220 Solvency capital requirement	36,334,714.67				

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010	MCR _{NL} Result	C0010	4,676,905.81
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	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	
	C0020	C0030	
R0020	Medical expense insurance and proportional reinsurance	0.00	0.00
R0030	Income protection insurance and proportional reinsurance	192,036.16	-37,685.97
R0040	Workers' compensation insurance and proportional reinsurance	0.00	0.00
R0050	Motor vehicle liability insurance and proportional reinsurance	0.00	0.00
R0060	Other motor insurance and proportional reinsurance	0.00	0.00
R0070	Marine, aviation and transport insurance and proportional reinsurance	0.00	0.00
R0080	Fire and other damage to property insurance and proportional reinsurance	19,512,767.10	22,266,075.06
R0090	General liability insurance and proportional reinsurance	6,530,827.39	794,729.37
R0100	Credit and suretyship insurance and proportional reinsurance	0.00	0.00
R0110	Legal expenses insurance and proportional reinsurance	0.00	0.00
R0120	Assistance and proportional reinsurance	0.00	0.00
R0130	Miscellaneous financial loss insurance and proportional reinsurance	2,207,998.53	-300,621.75
R0140	Non-proportional health reinsurance	0.00	0.00
R0150	Non-proportional casualty reinsurance	0.00	0.00
R0160	Non-proportional marine, aviation and transport reinsurance	0.00	0.00
R0170	Non-proportional property reinsurance	0.00	0.00

Linear formula component for life insurance and reinsurance obligations

R0200	MCR _L Result	C0040	0.00
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	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	
	C0050	C0060	
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

R0300	Linear MCR	C0070	4,676,905.81
R0310	SCR		36,334,714.67
R0320	MCR cap		16,350,621.60
R0330	MCR floor		9,083,678.67
R0340	Combined MCR		9,083,678.67
R0350	Absolute floor of the MCR		3,126,130.00
R0400	Minimum Capital Requirement		9,083,678.67