COMPANY REGISTRATION NUMBER: 00423930

FAIRMEAD INSURANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

2023

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Fairmead Insurance Limited
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Registered office

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Registered in England and Wales No. 00423930

Fairmead Insurance Limited

Strategic Report

For the year ended 30 September 2023

The Directors present their Strategic Report for year ended 30 September 2023.

Principal activities

Fairmead Insurance Limited (the 'Company') is a private limited company authorised in the UK by the Prudential Regulation Authority ('PRA'), and regulated by the Financial Conduct Authority ('FCA') and the PRA. The 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 has now completed its plans for the migration of all lines of business, including household. The last household policy was underwritten through a delegated authority scheme via a Managing General Agent (MGA) on 31 March 2023 and is due to expire by 1 April 2024. The Company has previously underwritten risks relating to short term income protection and pet insurance but these products are now in run off.

The Company was acquired by Allianz Holdings plc ('AZH') on 31 December 2019, and ownership was subsequently transferred to a subsidiary of Allianz Holdings plc, Liverpool Victoria General Insurance Group ('LVGIG') in 2020. The Company is part of the wider Allianz Holdings plc group ('Group') of companies, whose ultimate parent company is Allianz Societas Europaea ('Allianz SE').

Change of accounting reference date - from 31 December to 30 September

The statement of comprehensive income, statment of cashflows and related notes are presented for the twelve months ended 30 September 2023. The comparatives are presented for the nine months ended 30 September 2022. This is because in the prior year the Directors changed the accounting reference date of the Company from 31 December 2022 to 30 September 2022.

Overview

Gross Written Premium ('GWP') for the year ended 30 September 2023 was £81,657k (nine months ended 30 September 2022: £100,135k) (note 21). This relates mostly to a specific book of household business with an MGA as well as a small amount of third party liability business.

The migration of Broker, Pet and Direct businesses to Liverpool Victoria Insurance Company Limited ('LVIC') and Allianz Insurance plc, was migrated during 2022 with remaining policies having expired in May 2023. The Company stopped underwriting household business in May 2022 with the exception of a specific book of business with an MGA which ceased underwriting household business on behalf of the Company from 1 April 2023. The Company previously successfully transferred all their Accident Sickness and Unemployment (ASU) policies after its sale to a co-insurance provider and a third party in 2021. The claims handling for the Company's ASU book in run off has been delegated to Wessex Business Services Limited, trading as Wessex Insurance Services ('Wessex').

The profit after taxation for the year ended 30 September 2023 is £857k (loss for the nine months ended 30 September 2022: £11,568k) driven by ongoing operational costs following the migration exercise and cessation of underwriting activities which were significanlty lower than during the prior year.

Reinsurance

The Company has a catastrophe treaty in place which is a joint treaty that covers the whole of LVGIG. This treaty provides protection to Liverpool Victoria Insurance Company Ltd ('LVIC') and/or Highway Insurance Company Ltd ('HICO') and/or the Company. Under this treaty all catastrophe losses in LVGIG are combined and ceded to the treaty. The joint catastrophe treaty will be renewed for the 2024 calendar year on 1 January 2024 which will also cover the run-off of the Fairmead business.

The Company has a 100% quota share arrangement transferring all economic risk in respect of the household business underwritten via the MGA. The treaty was effective from 31 December 2019 and acts before the joint catastrophe treaty.

The Company continued to have an intra-group (internal) quota share reinsurance arrangement in place during the year. The quota share ceded 50% of premiums and claims and the Company received a contribution of 38.9% (2022: 39.1%) of ceded earned premiums against incurred expenses and commission with an Allianz SE group reinsurance company (note 34). The quota share has the benefit of improving the Company's solvency position by reducing the capital the Company is required to hold.

There has been a change to the 50% quota share from 1 January 2022 whereby under the new contract the Company has not transferred any consideration in return for the reinsurer assuming the element of ceded reserves passed to them under the quota share arrangement ("Funds Withheld"). Previously, the Company had transferred consideration ("Funds Transferred") and continuously under this basis prior to 1 January 2022.

Under a funds withheld basis the reinsurer's share of the unearned premium reserve ('UPR'), deferred commission and the claims reserve is withheld and shown as a Deposit received from reinsurers on the Company's Statement of Financial Position. Each month the balance of the Deposit from reinsurers is updated with the latest UPR, deferred commission and claims reserve pertaining to the treaty. This deposit will unwind as the treaty earns through and claims are settled. This arrangement helps reduce counterparty default risk from the reinsurer and also ensures the quota share structure is consistent with other entities' quota share agreements in the Group.

In relation to the above arrangement, where in a treaty year, the net reserves position (reinsurer's share of the unearned premium reserve ('UPR'), deferred commission and the claims reserve) is a net receivable balance due to reserves and related reinsurance recoveries developments, the balance represents an asset being the balance due from the reinsurer. This balance due from the reinsurer will unwind as the treaty earns through and claims are settled.

With all policies now in runoff, there is no UPR and deferred commission subject to this treaty at year end. The Company will maintain the quota share arrangement throughout the run off of the business.

Integration of operations

The Company has now completed the integration of its business operations into the wider LVGIG and AZH Group and all product lines are now in run off. The Company successfully completed the migration of Broker, Pet and Direct businesses to LVGIG and Allianz Insurance plc and no longer offers the sale of new business polices for Pet and Accident Sickness & Unemployment (ASU) products and household products in the Direct and Broker channels.

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 archiving and decommissioning of systems in the transition away from the Company's platforms provided by the Legal & General group through an outsourcing arrangement was completed in December 2022. Additional governance was previously implemented to comply with the Separation Agreement between the Company, Legal & General Resources Limited and Allianz Holdings Plc as part of this transition. This additional governance came to an end in December 2022.

The Directors' current intention is to close the Company by including it as part of an overall programme to rationalise entities across the AZH Group in the UK. The Directors have no intention to re-commence underwriting any new business during this period. To the extent that any associated wind down costs exceed the costs already allowed for by the Company, these will be borne by other group Companies.

Investment strategy

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. The Company invests in assets to ensure the security, liquidity and quality of the portfolio as a whole, while taking into account the nature and duration of its insurance liabilities. In line with the run-off of the insurance reserves and in anticipation of its future closure, the Company's investment portfolios are now in run off with the invested assets gradually maturing and not reinvested.

Result for the year and dividend

The results of the Company show a pre-taxation profit for the year ended 30 September 2023 of £1285k (loss in nine months ended 30 September 2022: £14,567k), details of which are set out on page 23.

An interim dividend of £30,000k was paid during the year ended 30 September 2023 (2022: £55,000k).

Financial key performance indicators

In addition to the pre-taxation performance noted above, other key financial measures monitored by the Board include Shareholders funds as it reflects the stability and the overall position of the Company. The Combined Operating Ratio ('COR') reflects the profitability of the policies. These key performance indicators are set out below as follows:

	2023	2022	Commentary
Shareholders funds (£`000)	45,680	72,274	The decrease in shareholders funds during the year is primarily due to the payment of £30,000k dividend.
Gross written premium (£`000)	81,657	100,135	The Company continued to underwrite household business through an MGA up until 31 March 2023. All other underwriting across other lines ceased in 2022.
Combined operating ratio ('COR')	127%	137%	The COR decreased in 2023 due to lower ongoing operational costs for the Company following the migration exercise and cessation of underwriting activities; in addition, the remaining book of business with the MGA which continued to be underwritten up until 31 March 2023 was subject to a 100% quota share reinsurance arrangement. Claims costs however continued to face inflationary pressures caused by the international economic and geopolitical climate.

The COR is defined as: $\dfrac{\text{Total technical charges (excluding investment management expenses)}}{\text{Net Premiums Earned}}$

Other key performance indicators

The Board also monitor a number of non-financial key performance measures. These other key performance indicators include the following (2023 figures relate to year ended 30 September 2023 and 2022 figures relate to the nine months ended 30 September 2022):

	2023	2022	Commentary
Gross inforce policies	112,226	604,924	The decrease is in line with the migration and run off of business and correlates with the substantial reduction in the UPR during the year.
Average monthly reportable complaints (% of inforce policies)	0.12%	0.05%	The increase is down to the fact that the open claims in run off are by implication older and more complex.

Principal risks and uncertainties

The Company's business involves the management of insurance, market, credit, liquidity and operational risks. The process is managed through a risk framework, comprising formal committees, risk assessment processes and review functions with formal updates to the Board. A full review of the wider risk environment and risk management process is discussed in note 36.

Weather Catastrophe Events

Weather related events are the largest area of risk faced by an insurer covering household business. The risk of adverse claims experience is fully assessed and reflected in the Company's capital requirement, and reinsurance is in place providing cover up to at least a 1 in 500 year event. However, a severe storm, flood or series of weather events (including prolonged dry weather leading to subsidence) would adversely impact the profitability of the business. If the event was coupled with the default of a reinsurer this could significantly impact the capital available to the Company. Management consider the risk of a default by a key reinsurer to be remote. The potential impact of a catastrophic event will progressively decrease as the books of business continue to run off.

Climate Change

Risk associated with climate change is of increasing importance to regulators, Group and the general public. The Company’s insurance risks and asset portfolio have relatively short durations so the Company’s exposure is limited. The increase in the frequency and severity of extreme weather events will be the main risk the Company is exposed to from climate change as a result of its exposure to household lines of business, and is mitigated through the purchase of reinsurance. The risk significantly reduced due to the migration of all business.

Market and Economic Conditions

The Company experienced above average claims inflation in 2023. Whilst the Company has allowed for this in its reserves and is now in run off, further increases in the cost of building materials above expected levels could have a material impact on future claims costs.

Market and Economic Conditions (continued)

The Company is exposed to the impact of adverse economic conditions on its investment portfolio. During the year, 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 was approved at the Group Finance and Investment Committee ('FICo') to ensure that the Company's investments are consistent with its market risk appetite. Adherence to the investment strategy and the market risk appetite is monitored through monthly reporting of risk metrics.

During 2023, persistently high inflation and rising borrowing costs have weighed on economic activity. In response to high inflation, central banks have continued to increase interest rates. Higher rates have supported higher cash income over the period, helping interest income increase to £2.3m (2022 £1.7m). While the economy has slowed over the year, credit spreads have reduced, resulting in higher values for corporate bonds held in the investment portfolio and contributing to positive total investment performance.

Credit risk

Reinsurer credit risk and Investment counterparty risk pose the largest credit risk exposures to the Company. Reinsurance credit risk is mitigated through a requirement that all reinsurers have S&P ratings of A- or better or AM Best rating of A- or better. Additionally they need to be approved by the Allianz SE Group Risk Security Vetting Team for the type of business being reinsured. Investment counterparty risk is managed by having a well-diversified portfolio and the majority of the bond investments being of investment grade.

People

During the year, the migration and run off of the business has resulted in further redundancies as well as a number of staff who supported the Company's operations transferring to the wider LVGIG and Group businesses. All staff costs for the remaining employees of the Company are recharged from LVGIG to the Company as part of a management re-charge.

Regulation and Legislation

There are a number of aspects in which legislation and regulation impact the Company's business:

- Government policy;
- Regulation of product design, marketing, sales and administration; and
- Solvency II and its impact on capital requirements and business risk management.

The Company's activities and strategies are always based upon prevailing legislation and regulation. However, significant changes in legislation, and differing interpretation and application of regulation over time, may have a detrimental effect on the Company's strategy and financial performance. Additionally, there is an increasing volume of regulatory and legislative change impacting the financial services sector, although this is of more limited impact for the Company due to migration of business.

Outsourcing and Key Supplier Risk

As part of the sale of the Company to the Group, the Company entered into a three year transitional services arrangement with a Legal & General Group company under which certain services including IT infrastructure, support and maintenance for specified systems were provided. This relationship was subject to dedicated oversight and governance by both the Company and Legal & General Group to ensure that obligations were met on an ongoing basis and any issues were appropriately escalated and resolved. This transitional services arrangement came to an end on 31 December 2022 following the conclusion of the integration process within the wider LVGIG and AZH Group. The Company continues to operate in a stable way on a run-off basis following the withdrawal of these services from the Legal & General Group.

Digital Risk

The Company and Group are inherently exposed to digital risks, although as the Company is now in run-off this risk and its impact is greatly reduced. The Group is alive to cyber threats, in terms of protecting its customers' data, minimising damage to its reputation and potential for financial loss and is working closely with its business partners to proactively manage emerging threats and to ensure continued compliance with UK General Data Protection Regulation (GDPR) that was effective from 1 January 2021 and the subsequent adequacy decision adopted by the European Union for the UK on 28 June 2021. The Group requires all employees to complete an online refresher training course with regards to Digital Risk annually.

The conflict in Ukraine has not had a direct effect although the Group also recognises that there is a risk of state sponsored cyber-attacks targeted at the UK. Through monitoring of emerging threats and identification of incidents, our organisational structure enables a coordinated response to cyber events within our Crisis Management framework.

Section 172(1) Companies Act 2006 Statement

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

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

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

As a wholly owned subsidiary of the Group and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company's Board must have regard to the overall strategy and the direction of the Group and of the Company's immediate parent, LVGIG, which are complementary. The Board is cognisant of the relationships between the Group and its stakeholders and is committed to fostering positive engagement with them and ensuring stakeholder considerations are taken into account when making decisions.

As the Company is part of the wider Group and leverages its governance structure, some strategic decisions are considered at a Group level by the AZH Board which meets alongside other key regulated entities and holding companies (that includes LVGIG) or its committees ('Group Board'). Certain Group stakeholders, their interests (such as employees, community and environment), and any actions affecting them which the Company's Directors are required to have regard to, are therefore considered and determined at a Group Board level. These take into account the interests of the Company.

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

Stakeholder engagement

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

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

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

Customers

Customer centricity is fundamental to the business strategy of "putting our people first and our customers at the heart of what we do". During the migration and run-off of policies, the Company has continued to focus on maintaining high levels of service to ensure good outcomes for its customers. Customer centricity is fundamental to the business strategy which the Group and the Company have adopted. The Group's focus is on maintaining high levels of service to and support our customers.

The Group Board's Customer & Conduct Committee is responsible for overseeing customer conduct matters for the Group and its subsidiaries. The Customer & Conduct Committee receives reports on a variety of matters including reports from the business, customer dashboards and metrics which help the committee to understand the customer experience and vulnerable customers information.

Employees

The Company does not directly employ any staff. During the year, LVGIG, the Company's immediate parent company, and Allianz Management Services Limited ('AMSL'), a subsidiary of Allianz Holdings Plc, provided administration services and staff to the Company and to other Group companies. LVGIG and AMSL have a high level of resources and expertise which benefit the Company and the Group.

Employee engagement is led by the Chief People Officer of the Group, with the Human Resources team working across the Group. Engaged people are key to the success of the business, not only do they create positive experiences for our customers and colleagues but they help our business thrive.

Throughout 2023 there have been regular townhalls with senior executives invited to join the AZH CEO to discuss important topics and answer questions raised by employees. During the year, the Allianz Personal Executive Committee conducted monthly webinars with the leadership team to share the Allianz Personal strategy and to provide updates on particular topical items of interest. Each year there are a number of leadership conference meetings to further share important messages and facilitate discussion and debate. These messages are then cascaded throughout the organisation.

The Group seeks feedback and measures the engagement of employees in a variety of ways. Engagement methods include the Allianz Engagement Survey ("AES") and additional 'pulse' surveys sent to employees on various topics, town hall presentations and newsletters via the employee intranets. During the year, AES continued to provide a valuable employee feedback platform and remains an important indicator of the Group's corporate culture and employee engagement. The AES results include the Inclusive Meritocracy Index which covers aspects of leadership, performance, collaboration, trust and respect, and is derived from the responses to a specific set of questions in the annual AES. A Work Well Index plus is also used to measure the quality of the work environment, practices and opportunities. During the year, LVGIG received a silver award from Stonewall's Workplace Equality Index, for its commitment and efforts to become an LGBTQ+ employer. Stonewall is the world's second-largest LGBTQ+ charity.

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

Allianz understands the importance of continuing to have flexible working options available to all of its employees. We are committed to making sure our people are rewarded fairly through regular review of pay levels against market rates. A number of initiatives are in place through Allianz's wellbeing support programme.

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

Suppliers

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

The migration process around suppliers has been carefully monitored by the Board and was completed at the end of 2022.

Regulators

The Company is regulated by the Financial Conduct Authority ('FCA') and authorised and regulated by the Prudential Regulation Authority ('PRA'). Maintaining a good relationship with the Company's regulators is a priority for the Board and the Group Board and regulatory considerations are given close scrutiny when making decisions. Regulations, guidance, policy statements, Dear CEO letters, Dear CRO letters, reports and other forms of publication issued by the Company's regulators from time to time are examined and discussed by the Board and the Group Board and taken into account when considering matters for approval. In addition, the Board carefully considers and takes into account any letters received by the Group from the regulators.

The Group prides itself on maintaining a candid and transparent relationship with its regulators. Any reviews or changes required as a result of regulatory updates or recommendations are considered and the implementation of recommendations is owned and overseen by the relevant Board as appropriate. This ensures that regulatory matters are of key importance with a top-down approach led by the Board. In relation to its regulatory requirements, the Board also reviewed and approved its relevant Solvency II Reports, including the Solvency and Financial Condition Report, and the Company's Recovery and Resolution Plan.

Shareholder

The Company has regard to the interests of its immediate shareholder, LVGIG and LVGIG's shareholder. The Company engages with its shareholder via established reporting mechanisms and the upward reporting of timely management information. The Company's strategy is aligned to that of LVGIG, the Group and Allianz SE, adapted as necessary for the Company's markets. The Board continues to engage regularly with and works closely with the Group Board and the executive management team to ensure a successful integration and achieve the aligned strategy of the Group and the Company.

Community and the Environment

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

Board decision-making

This part of the section 172 statement describes how the Board has had regard to the Company's stakeholders and other matters to be considered under section 172(1) of the Act in some of its key decisions taken during the year. The Board continues to review its processes to ensure that a formal analysis is carried out of how the significant decisions that it is required to approve will impact the Company's key stakeholder groups.

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

1.	**Interim Dividend**	
	Section 172 Considerations	Promoting the success of the Company for the benefit of the Company's members, the likely consequences of any decision in the long term and the need to act fairly.
	Stakeholders	Shareholders and Regulators
	Stakeholder consideration in the Board's decision making	In June 2023 the Board considered the payment of a £30m Interim Dividend. In doing so the current and future solvency ratios of the Company were reviewed in depth and the current economic uncertainties at that time were reviewed. In addition the Board noted that the level of distributable reservers were considered to be sufficient to facilitate the proposed payment. The Board liased on this matter with the PRA who advised they had no objections and the Interim Dividend was subsequently paid in June 2023.
2.	**Own Risk and Solvency Assessment (ORSA)**	
	Section 172 Considerations	Maintaining a reputation for high standards, long term consequences of decisions
	Stakeholders	Shareholders, Customers and Regulators
	Stakeholder consideration in the Board's decision making	The ORSA is an internal process undertaken to assess the adequacy of risk management processes and current and prospective solvency positions under normal and severe stress scenarios. It provides a tool for decision-making and strategic analysis and aims to assess the overall solvency needs related to the specific risk profile of the insurance company. In considering the ORSA the Board noted that the Company is in run off and no new business is being underwritten. It was noted that there were no concerns around the liquidity and solvency position of the Company and that appropriate levels of capital were in place. Exposure to Climate Change risk had been calculated based upon the reducing book. A risk in connection to a past redress activity was noted and the active steps being taken to address that and the challenges faced in doing so were acknowledged.

By Order of the Board

U. Lange
Director

22 January 2024

Fairmead Insurance Limited
Directors' Report

For the year ended 30 September 2023

The Directors present their report and the audited financial statements for the year ended 30 September 2023.

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

- Results for the year;
- Principal activities of the Company;
- Business review and Future prospects; and
- Stakeholders.

Directors

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

M Crane
M S Blackburn (appointed on 20 January 2022; resigned 31 December 2022)
U Lange (appointed 1 July 2023)
S Treloar (resigned 30 June 2023)
K Wenzel (resigned 14 September 2023)
M Dixon (appointed 7 November 2023)

Directors' liabilities

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

Principal activities and risk management objectives of the Company

The Company's primary activity is the underwriting of personal lines insurance, although all lines of business are now in run-off.
The Company's primary objectives in undertaking risk management activity is to manage risk exposure in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviations from anticipated outcomes. The Company has a robust and comprehensive framework in place to manage and mitigate its exposures to a variety of risk categories, which include insurance and pricing, market, credit, liquidity and operational risks. Further details are set out within Note 36 and in the Strategic Report.

Future developments

The Company has completed the migration of its business operations into the wider LVGIG and Group businesses. The integration process has been completed, the primary focus here was to ensure a smooth transition and minumum disruption to the customer. Further details on the Company's migration and integration activities are set out within the Going Concern section below.

Results and dividends

An interim dividend of £30,000k was paid during the year ended 30 September 2023 (nine months ended 30 September 2022: £55,000k). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (nine months for the year ended 30 September 2022: £nil).

Going concern

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. Net assets of the Company as at 30 September 2023 were £45.7m (2022 £72.3m). The Directors have reviewed the capital and liquidity forecasts, including under stressed scenarios, for at least a further twelve months as part of these considerations. The impact of the wider economic environment has also been considered in the solvency and liquidity projections underpinning this conclusion.

The Company's investment portfolios are now in run off with the investment manager while the portfolios gradually reduce. This will provide increased liquidity as the run off continues and claims payments reduce.

The Company has now completed the process of integrating its business operations into the wider Group, having successfully completed the migration of Broker, Pet and Direct businesses to LVGIG and Allianz Insurance plc. The Company no longer offers the sale of new business polices for pet and ASU products and household products in the Direct and Broker channels. With the exception of a specific contract with an MGA, no business has been written by the Company since May 2022. The contract with the MGA terminated at 31 March 2023 and as such no new policies have been or will be underwritten by the Company since this date.

The Directors are actively considering a number of options to expedite the closure of the Company. The Directors have no intention to re-commence underwriting any new business via the Company and intend to continue the run off process up until the point at which the Company ceases to exist. As such it is considered no longer appropriate to apply a going concern basis in the preparation of these financial statements.

The Directors have reviewed the risks to the Company, which include information security threats and potential disruption to the supply chain. They have further considered all ongoing investment exposures alongside the wider macro-economic and geo-political climate. The Directors are comfortable that these risks do not threaten the ongoing successful run off operation of the Company.

The Directors have considered the wider macro-economic impacts of the ongoing international conflicts in Ukraine and the Middle East, which includes those arising from sanctions and continued upward pressure on inflation. They recognise that this may put more pressure on customers and the cost of the Company's claims liabilities. The Directors also recognise that there is a risk of state sponsored cyber-attacks targeted at the UK, resulting in disruption to national infrastructure or third party organisations in the supply chain. Through monitoring of emerging threats and identification of incidents, the Group’s organisational structure enables a coordinated response to cyber events within its Crisis Management framework. The Directors have considered these risks and are satisfied that with the Company now fully in run off, the strength of the balance sheet and high levels of liquidity, these risks do not pose a threat.

Modern Slavery Statement

The Group recognises its obligation to ensure that its business and supporting supply chains are slavery free. The Group's full modern slavery statement can be found at www.allianz.co.uk. The Company's modern slavery statement has been approved by the Board.

Mandatory Streamlined Energy and Carbon Reporting (SECR)

The Company falls within the Company's Act 2006 definition of 'large' and as such is required to fulfil the statutory requirements for Streamlined Energy and Carbon Reporting, which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 / SECR Regulations, 'Large' companies' must report this information in their Directors' report. The Company has reported in line with the 'Comply or Explain' provision of the legislation and in accordance with the rules which permit that certain information may be excluded where it is not practical to obtain. Information relating to the Company alone has been excluded from these disclosures as it is not practical to obtain owing to the migration of the business and the integration of its operations within the wider UK Group. Instead the information disclosed relates to several entities within LVGIG as this is the lowest level of granularity for which the data is collected from within the Group.

Liverpool Victoria General Insurance Group Limited Streamlined Energy and Carbon Reporting statement covers the reporting period 1 October 2022 - 30 September 2023 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.

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

Location Based Method

The total energy consumption for Oct 2022- Sep 2023 was 5,439,251.71 kWh equating to 1,152.749 tCO_2e (nine month period ended 30 September 2022: 4,500,517 kWh equating to 915.845 tCO_2e)

Emissions from combustion of gas (Scope 1)	115.754 tCO_2e
Emissions from combustion of fuel for transport purposes (Scope 1)	154.278 tCO_2e
Emissions from third party purchased natural gas (Scope 2)	163.108 tCO_2e
Emissions from purchased electricity (Scope 2)	580.576 tCO_2e
Emissions from Transmission and Distribution (Scope 3)	20.996 tCO_2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	118.037 tCO_2e

Carbon intensity: Emissions of tCO2e / Full-Time Equivalents (No. of Employees) during Oct 2022- Sep 2023 was 0.323 tCO_2e (nine month period ended 30 September 2022: 0.245 tCO_2e)

The company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above Oct 2022- Sep 2023 total energy consumption, the company has sourced a total of 2,803,708.82 kWh of REGO backed (zero emission) electricity equating to 100.00% of total electricity use (nine month period ended 30 September 2022: 1,872,306 kWh of REGO backed (zero emission) electricity equating to 81.72% of total electricity use).

Market Based Method

The information disclosed relates to several entities within LVGIG as this is the lowest level of granularity for which the data is collected from within the Group.

The total energy consumption for Oct 2022- Sep 2023 was 5,439,251.71 kWh equating to 551.177 tCO_2e (nine month period ended 30 September 2022: 4,500,517 kWh equating to 602.896 tCO_2e)

Emissions from combustion of gas (Scope 1)	115.754 tCO_2e
Emissions from combustion of fuel for transport purposes (Scope 1)	154.278 tCO_2e
Emissions from third party purchased natural gas (Scope 2)	163.108 tCO_2e
Emissions from purchased electricity (Scope 2)	0.000 tCO_2e
Emissions from Transmission and Distribution (Scope 3)	0.000 tCO_2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	118.037 tCO_2e

Carbon intensity: Emissions of tCO2e / Full-Time Equivalents (No. of Employees) during 2022/2023 was 0.155 tCO_2e (nine month period ended 30 September 2022: 0.161 tCO2e / Full-Time Equivalents (No. of Employees))

Energy efficiency action taken:

The Croydon and Leeds LVGIG sites have installed new LED lighting.

The Huddersfield LVGIG site has changed the lighting from fluorescent tubes to LED tubes in the 5th floor open plan area.

Item	**Comparison Reporting Year (2021/2022)**	**Current Reporting Year (2022/2023)**
Total energy consumption (kWh)	5,934,775.67 kWh	5,439,251.71 kWh
Associated Carbon Emissions (tCO_2e)	1,209.792 tCO_2e	1,152.749 tCO_2e
Metric - Emissions of tCO_2e per Full-Time Equivalents (No. of Employees)	0.319 tCO_2e	0.323 tCO_2e

----------- The below is optional and is not required under SECR regulations ------------

The information disclosed relates to several entities within LVGIG as this is the lowest level of granularity for which the data is collected from within the Group.

Sources of Greenhouse Gas Emissions	**Location Based Method**		**Market Based Method**	
Scope 1	**consumption (kWh)**	**emissions (tCO_2e)**	**consumption (kWh)**	**emissions (tCO_2e)**
Purchased Natural Gas	632,782.00	115.75	632,782.00	115.754
Transport (Company Cars)	629,495.28	154.28	629,495.28	154.278
Scope 2				
Natural Gas (3rd Party)	891,644.95	163.11	891,644.95	163.108
Electricity (3rd Party)	1,631,710.82	337.89	1,631,710.82	0
Purchased Electricity	1,171,998.00	242.69	1,171,998.00	0
Scope 3				
Transmission and Distribution	-	21.00	-	0
Transport (Staff Business Mileage)	180,082.56	44.14	180,082.56	44.135
Transport (Hire Cars)	301,538.10	73.90	301,538.10	73.902
Total	**5,439,251.71**	**1,152.76**	**5,439,251.71**	**551.177**
Carbon intensity: All Scope's emissions of tCO_2e / Full-Time Equivalents (No. of Employees):	**—**	**0.323**	**—**	**0.155**

*The table above provides a breakdown of the data and accompanying explanatory notes.

Qualifying information on the above data:

The information disclosed relates to several entities within LVGIG as this is the lowest level of granularity for which the data is collected from within the Group.

This statement has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.

This is the Company's fourth year of Streamlined Energy and Carbon Reporting and as such 1 January 2022 - 30 September 2022 data has been recorded as a comparison.

tCO2e is the tonnage of equivalent carbon emissions generated by the various greenhouse gases (carbon dioxide, methane, nitrous oxide etc.) each of which has a 'Global Warming Potential' factor that is included in the above emission figure.

Total Full-Time Equivalents (No. of Employees) for use as the Metric are 3,566 (2022: 3,736). All information and metrics are produced at an LVGIG level so FTEs are also at the LVGIG level. Whilst the Company doesn't have employees, a number of people employed by LVGIG also perform work for the Company.

Carbon intensity includes all scope emissions in the calculation.

Directors' responsibilty to the auditors

In the case of each Director in office at the date the Directors' report is approved so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

In 2020, BDO LLP were appointed as the Company's external auditors. There is no requirement under the Companies Act or the Company's Articles of Association to hold an Annual General Meeting or lay the Company's Report and Financial Statements before the shareholders. The Company has elected to dispense with the need to appoint auditors annually, and BDO LLP will therefore continue in office.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with generally accepted accounting practices in the UK ('UK GAAP'), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" and Companies Act 2006.

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

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

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

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

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

By Order of the Board

U. Lange
Director

22 January 2024

Fairmead Insurance Limited
Independent auditor's report to the members of Fairmead Insurance Limited

For the year ended 30 September 2023

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fairmead Insurance Limited (the 'Company') for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board on 18 March 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2020 to 30 September 2023.

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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. The non-audit services prohibited by that standard were not provided to the Company.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to Note 1a to the financial statements which explains that the Directors intend to cease trading over the next 2 years 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.

Overview

		2023	2022
Key Audit Matters	**Valuation of claims outstanding**	✔	✔
Materiality	£2,498k (2022: £4,136k) based on 1% (2022: 1%) of gross assets		

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of Company and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Fairmead Insurance Limited
Independent auditor's report to the members of Fairmead Insurance Limited (continued)

For the year ended 30 September 2023

Key audit matters

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

Key Audit Matter		**How the scope of our audit addressed the key audit matter**
Valuation of claims outstanding Refer to Note 1c, (accounting policy), Note 35 (Critical accounting estimates and judgements), Note 19 and 22 (financial disclosures) and Note 36 (sensitivity analysis)	The Company recorded gross claims outstanding of £129,358k (2022: £144,688k). Valuation of claims outstanding is a key area of estimation within the financial statements, which requires the application of significant judgements and assumptions and is therefore considered to be a key audit matter. Modelling for the claims outstanding is reliant on: •The accuracy and completeness of relevant claims data being input into actuarial models; and •The application of appropriate actuarial methodologies, judgements and assumptions.	Management used a claims paid development factor model ("DFM") with adjustments made on accident months where the ultimate was less than the level of claim estimates held to project claims outstanding for the Household class. Management used an incurred DFM to project claims outstanding for material lines of MGA business. We performed the following procedures: •Tested a sample of claims paid to supporting documentation to confirm the accuracy of the transactions. •Tested a sample of claim estimates to supporting documentation to verify the estimates were appropriately valued. •Claims listings were reconciled back to the nominal ledger for completeness. •Agreed a sample of claim payments post-actuarial cut-off date to supporting documentation and assessed whether these transactions were accounted for at the correct date. •Agreed a sample of claim estimates movements post-actuarial cut-off date to supporting documentation and assessed whether these movements were accounted for at the correct date. With the assistance of our actuarial specialists we: •Conducted independent projections of the claims outstanding material lines of business using our specialists own actuarial techniques and assessed it against managements claims outstanding. •Reviewed the Company's actuarial report in conjunction with their own independent projections and considered whether the methodology used by the Company was appropriate to the classes of business written. Key observations: Based on the procedures performed we consider the methodology, judgements and assumptions made in the valuation of claims outstanding to be reasonable.

Key audit matters (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Financial Statements	
	2023 (£'000)	2022 (£'000)
Materiality	2,498	4,136
Basis for determining materiality	1% of gross assets	
Rationale for the benchmark applied	Gross Assets is considered the primary financial measure monitored by key stakeholders to reflect the performance of the Company and its ability to settle any outstanding insurance liabilities. 1% of gross assets is selected as benchmark as the company is in run off.	
Performance materiality	1,624	2,688
Basis for determining performance materiality	65% of Materiality	
Rationale for the percentage applied for performance materiality	65% was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement.	

Specific materiality

A lower, specific, level of materiality has been set for transactions and balances not affected by quota share reinsurance. Specific materiality was based on net assets, as one of the key performance indicators for stakeholders is the economic stability and solvency of the Company. Our specific materiality of £1,370k (2022: £2,170k) represents 3% (2022: 3%) of net assets. We further applied a performance level materiality of 65% (2022: 65%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £125k (2022: £207k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations,

We considered the significant laws and regulations to be Companies Act 2006, General Data Protection Regulations ("GDPR") , Financial Reporting Standards 102 and 103 applicable in the UK and Republic of Ireland, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the FCA and PRA regulations and Bribery Act 2010.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;
- Review of the Own Risk and Solvency Assessment ("ORSA") for any evidence of non-compliance with the PRA Solvency II regulations;
- Enquiring of the Directors and other management of instances of non-compliance;
- Inspecting correspondence with the PRA and FCA; and
- Enquired with compliance and internal audit departments about knowledge of any non-compliance with laws and regulations.

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of claims outstanding, gross written premiums and management override of controls .

Our procedures in respect of the above included:

- The procedures set out in the key audit matters section of our report;
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing revenue journal entries with unusual combinations to supporting documentation;
- Evaluating findings from procedures performed on the evaluation of design and implementation of IT general controls the impact on management override of controls;
- Assessing significant estimates in the valuation of claims outstanding made by management for bias; and
- Assessing and evaluating the appropriateness of journals passed by management during the data migration process which took place in the current year.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Alexander Barnes
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Alexander Barnes
Senior Statutory Auditor

For and on behalf of
BDO LLP
Statutory Auditor
London, UK
22 January 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Fairmead Insurance Limited
Statement of Comprehensive Income
For the year ended 30 September 2023 and nine months ended 30 September 2022

	Notes	2023 £'000	2022 £'000
Technical account			
Earned premiums, net of reinsurance			
Gross written premiums		81,657	100,135
Outward reinsurance premiums		(83,449)	(92,105)
Net change in provision for unearned premiums		6,576	37,049
Net premiums earned		4,784	45,079
Interest receivable and similar income	4.	278	184
Total technical income		5,062	45,263
Claims incurred, net of reinsurance			
Gross claims and change in insurance liabilities		102,138	112,819
Reinsurers' share		(99,012)	(82,974)
Claims incurred, net of reinsurance	5.	3,126	29,845
Acquisition costs	6.	48,167	52,131
Other expenses	9.	7,538	38,159
Reinsurance commission and expenses	10.	(52,768)	(58,557)
Total operating expenses		2,937	31,733
Total technical charges		6,063	61,578
Balance on technical account	2.	(1,001)	(16,315)
Non-technical account			
Balance on technical account		(1,001)	(16,315)
Investment income	3.	2,286	1,748
Profit \ (Loss) before taxation for the period		1,285	(14,567)
Total tax credit/(charge)	11.	(428)	2,999
Profit \ (Loss) after taxation for the period		857	(11,568)
Other comprehensive income			
Items that may be classified to profit and loss			
Change in value of available-for-sale financial assets	32.	3,399	(8,580)
Change in value of available-for-sale financial assets transferred to profit and loss	32.	-	58
Income tax on these items	32.	(850)	2,131
Other comprehensive income \(loss) for the period		2,549	(6,391)
Total comprehensive income \(loss) for the period		**3,406**	**(17,959)**

In 2023, all activities of the Company are classified as discontinuing.

The profit after taxation for the period and total comprehensive income is entirely attributable to the equity holders of the Company.

The notes on pages 30 to 55 form an integral part of the financial statements.

Fairmead Insurance Limited
Statement of Financial Position
As at 30 September 2023 and 30 September 2022

	Notes	2023 £'000	2022 £'000
Assets			
Intangible assets	14.	-	-
Investments: Other financial investments	18.	67,246	78,344
Reinsurers' share of technical provisions			
Provision for unearned premiums	19.	17,341	60,469
Claims outstanding	19.	118,426	116,616
Unexpired risk provision	19.	2,847	5,356
		138,614	182,441
Debtors			
Receivables arising out of direct insurance operations - policyholders	20.	-	11,815
Receivables arising out of direct insurance operations - intermediaries	20.	10,531	39,746
Receivables arising out of reinsurance operations - related parties	20.	1,628	6,872
Other debtors	20.	9,521	43,185
Total debtors		21,680	101,618
Balances due from reinsurers	23	4,207	-
Other assets			
Tangible assets	15.	-	-
Deferred tax asset	13.	5,794	7,472
Income tax asset	12.	-	-
Cash and cash equivalents	21.	3,143	17,432
Total other assets		8,937	24,904
Prepayments and accrued income			
Accrued Interest	17.	1,063	1,202
Deferred acquisition costs	17.	6,608	23,815
Other prepayments and accrued income	17.	1,416	1,295
		9,087	26,312
Total assets		**249,771**	**413,619**

Fairmead Insurance Limited
Statement of Financial Position (continued)

As at 30 September 2023 and 30 September 2022

	Notes	2023 £'000	2022 £'000
Equity			
Capital and reserves			
Share capital	29.	37,000	37,000
Share premium	30.	-	-
Retained earnings	31.	12,867	42,010
Available-for-sale reserve	32.	(4,187)	(6,736)
Total equity		45,680	72,274
Liabilities			
Gross technical provisions			
Provision for unearned premiums	19.	17,341	67,045
Claims outstanding	19.	129,358	144,688
Other technical provisions	19.	3,199	13,535
		149,898	225,268
Deposits received from reinsurers	24.	701	18,228
Creditors			
Creditors arising out of direct insurance operations	25.	3,614	3,144
Creditors arising out of reinsurance operations	25.	21,741	45,179
Other creditors	25.	20,490	17,103
Income tax liability/(credit)	26.	111	517
		45,956	65,943
Accruals and deferred income	27.	7,536	31,906
Total liabilities		204,091	341,345
Total equity and liabilities		**249,771**	**413,619**

The notes on pages 30 to 55 form an integral part of the financial statements.

The financial statements on pages 25 to 55 were approved by the Board of Directors on 29 December 2023 and were signed on their behalf by:

U. Lange
Director
Company Registration Number: 00423930.

Fairmead Insurance Limited

Statement of Changes in Equity

For the year ended 30 September 2023 and nine months ended 30 September 2022

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Available-for-sale reserve £'000	Total £'000
Balance at 1 January 2022	37,000	96,053	12,525	(345)	145,233
Capital Reduction		(96,053)	96,053		
Dividend (interim)			(55,000)		(55,000)
Loss after taxation for the period	-	-	(11,568)	-	(11,568)
Other comprehensive income for the period	-	-	-	(6,391)	(6,391)
Total comprehensive loss for the year	**-**	**-**	**(11,568)**	**(6,391)**	**(17,959)**
Balance at 30 September 2022	**37,000**	**-**	**42,010**	**(6,736)**	**72,274**

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Available-for-sale reserve £'000	Total £'000
Balance at 1 October 2022	37,000	-	42,010	(6,736)	72,274
Dividend (interim)			(30,000)		(30,000)
Profit after taxation for the period			857	-	857
Other comprehensive loss for the period	-	-	-	2,549	2,549
Total comprehensive loss for the period	**-**	**-**	**857**	**2,549**	**3,406**
Balance at 30 September 2023	**37,000**	**-**	**12,867**	**(4,187)**	**45,680**

The notes on pages 30 to 55 form an integral part of the financial statements.

Fairmead Insurance Limited
Statement of Cash Flows
For the year ended 30 September 2023 and nine months ended 30 September 2022

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit \ (Loss) before taxation		1,285	(14,567)
Adjustments for:			
Net realised loss/(gain) on financial instruments	3.	-	58
Bad debt (reversal) /expenses		(1,696)	794
Dividend income	3.	-	(583)
Interest income	3.	(2,286)	(1,223)
Changes in operating assets and liabilities:			
Net decrease in gross technical provisions		(75,370)	(96,816)
Net (decrease)/ increase in deposits received from reinsurers		(17,527)	18,228
Net increase in intercompany balance from reinsurers		(4,207)	
Net decrease in reinsurers' share of technical provisions		43,827	51,779
Net decrease in prepayments and accrued income		17,086	19,126
Net decrease in debtors		81,634	71,302
Net decrease in creditors (excluding income tax), accruals and deferred income		(43,951)	(20,997)
Cash inflow/(outflow) generated by operating activities		**(1,205)**	**27,101**
Interest received		2,425	1,452
Tax (paid)/ recovered		(7)	6,148
Net cash inflow/(outflow) from operating activities		**1,213**	**34,701**
Cash flows from investing activities			
Dividend received	3.	-	583
Net decrease in financial investments		14,497	23,747
Net cash inflows from investing activities		**14,497**	**24,330**
Cash flows from financing activities			
Dividend paid		(30,000)	(55,000)
Net cash outflows from financing activities		**(30,000)**	**(55,000)**
Net increase/(decrease) in cash or cash equivalents		(14,289)	4,031
Cash and cash equivalents at the beginning of the period		17,432	13,401
Cash and cash equivalents at the end of the period		**3,143**	**17,432**

The notes on pages 30 to 55 form an integral part of the financial statements.

1. Accounting Policies

a) Basis of Preparation

The financial statements have been prepared on a non-going concern basis under the UK GAAP, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts', the Companies Act 2006 and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. Details of the Directors' assessment of going concern can be found in the Going concern section of note 1a). The financial statements have been prepared under the historical cost convention, as modified by the adoption of FRS 102 and FRS 103 on 1 January 2020. Accounting policies have been applied consistently to all periods presented.

The Company is exempt from preparing consolidated financial statements by virtue of section 402 of Companies Act 2006 which provides an exemption to a parent Company from the requirement to prepare group accounts if under section 405, on the grounds of materiality, all of its subsidiary undertakings could be excluded from consolidation. The Company is domiciled in the United Kingdom.

The functional and presentational currency of the Company is British Pounds.

1. Accounting Policies (continued)

a) Basis of Preparation (continued)

Going concern

The Company has completed the process of integrating its business operations into the wider LVGIG and Allianz Insurance plc ('AZI') business. The Company has successfully completed the migration of Broker, Pet and Direct businesses to LVGIG and Allianz Insurance plc. The Company no longer offers the sale of new business polices for pet and Accident Sickness & Unemployment (ASU) products and household products in the Direct and Broker channels. With the exception of a specific contract with a Managing General Agent ('MGA'), no business has been written by the Company since May 2022. The underwriting of new or renewing policies through the MGA ceased on 31 March 2023 and as such no new policies have been underwritten after this date.

The Company's original plan to complete a transfer of liabilities under Part VII of the Financial Services & Markets Act 2000 ('Part VII') will not now be going ahead in its present form and consideration is being given to a range of alternative options to close the Company. During this period the Directors have no intention of re-commencing underwriting of any new business by the Company. To the extent that any associated wind down costs exceed the costs already allowed for by the Company, these will be borne by other group Companies.

The directors do not consider the company to be a going concern therefore the financial statements have been prepared on the basis other than going concern. This conclusion is reached due to the strategic intention of management to continue to cease trading and to close the entity within a time period of approximately 2 years. The going concern conclusion is not however a result of the Company no longer having adequate resources to continue for the foreseeable future. There were no adjustments required to the financial statements as a result of it being prepared on a basis other than going concern.

Change of Accounting Reference Date

The accounting reference date of the Company is from 1 October 2022 to 30 September 2023. In the prior year the accounting reference date was changed from the twelve months ending 31 December 2022 to the nine months ending 30 September 2022.

The Statement of Comprehensive Income and related notes are therefore presented for the twelve months ended 30 September 2023 and the comparative is for the nine months ended 30 September 2022. The Statement of Financial Position and related notes are presented as at 30 September 2023 for both the current year and the prior year comparitive.

b) Use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates, possibly significantly. This is particularly relevant to the estimation of incurred but not reported ('IBNR') estimates within insurance contract liabilities. The basis of accounting for these liabilities is set out in (c) below and the significant judgements used in determining the estimate are outlined in note 35 to the financial statements.

c) General Insurance

The results of general insurance business are determined after taking account of unearned premiums, outstanding claims and unexpired risks using the annual basis of accounting and appropriate information regarding its claims exposures. The Company takes all reasonable steps to ensure that is has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

1. Accounting Policies (continued)

c) General Insurance (continued)

Premiums are accounted for in the period in which the risk commences as gross written premium. Estimates are included for premiums written but not notified by the period end. For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Premiums are shown net of Insurance Premium Tax ('IPT') and before deduction of commission. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct business being reinsured.

Unearned premiums represent the proportion of premiums written in the period that relate to unexpired terms of policies in force at the statement of financial position, calculated on a time-apportioned basis. A proportion of commission and other acquisition expenses relating to unearned premiums is carried forward as deferred acquisition costs ('DAC') or, with regard to reinsurance outwards, as deferred income. Acquisition costs are deferred over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

Claims incurred comprises claims and related expenses paid in the period and changes in the provisions for outstanding claims. This includes provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous periods.

Provision is made at the statement of financial position date for the estimated cost of claims and related insurance recoveries incurred but not settled at that date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these reserves. In calculating the estimated cost of IBNR and notified unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historic experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made however for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

An additional unexpired risk provision is recognised if the sum of expected claim costs and claim adjustment expenses, deferred acquisition costs, and administrative costs associated with the run off of the business exceeds related unearned premiums and anticipated investment income. Any required unexpired risk provision will be recognised within Gross technical provisions.

d) Reinsurance

Quota share treaties are in force that cede 50% of all business to Allianz Re Dublin Designated Activity Company ('Allianz Re'), meaning 50% of all premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims being recovered from the reinsurer. This quota share cover acts after a 100% quota share treaty acting on business from specific MGAs. The Company cedes insurance premiums and risk through these quota shares to limit the potential for losses and manage capital requirements of the business. Outward reinsurance premiums are recognised in the same accounting period as the related premiums for the direct or inward insurance business being reinsured. Reinsurance assets include balances due from reinsurers for paid and unpaid losses, loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded as an asset in the statement of financial position unless a right of offset exists, in which case the associated liabilities are reduced commensurately. The balances recognised under reinsurance arrangements are with respect to the underlying treaty year.

To the extent that any gross unexpired risk provision is anticipated to be recovered under any outward reinsurance relationship, the anticipated recovery is recognised within Reinsurers' share of contract liabilities.

Deposits received from reinsurers

The Company recognises a liability with respect to deposits received from reinsurers on the 50% quota share treaty relating to the funds withheld on net unearned premium, commission and claims reserves as described in the Strategic Report on page 4.

Balances due from reinsurers

Where in a treaty year, the net reserves position (reinsurer's share of the unearned premium reserve ('UPR'), deferred commission and the claims reserve) is a net receivable balance due to reserves and related reinsurance recoveries developments, the balance represents an asset being the balance due from the reinsurer. This balance due from the reinsurer will unwind as the treaty earns through and claims are settled as described in the Strategic Report on page 4.

1. Accounting Policies (continued)

e) Investments in subsidiaries

Shares in subsidiary undertakings are stated at cost less impairment. The Company reviews the carrying value of its subsidiaries at each statement of financial position date or where there has been an indication that impairment has occurred. If the carrying value of the subsidiary undertakings is impaired, the carrying value is reduced through a charge to the statement of comprehensive income.

f) Financial Investments

Investments are classified in the following categories: financial assets or financial liabilities and Available-For-Sale ('AFS') financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement.

g) Available for sale (AFS) financial assets

AFS investments include listed debt securities comprising Government, Corporate and Covered Bonds. AFS investments are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rates or prices.

AFS investments are initially recognised at fair value cost including directly related transaction costs. They are subsequently carried at fair value. Interest calculated using the effective interest rate method is recognised in the Statement of Comprehensive Income ('SOCI'). Other changes in the fair value of AFS financial assets are reported in a separate component of shareholders' equity (AFS reserve) until disposal. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in SOCI within investment income. This accounting policy has been reviewed in light of the Company's future wind down plans and liquidity needs and no changes are deemed to be necessary at the present time.

h) Debtors

Debtors are recognised when due. An assessment is performed at each SOFP date whether there is any indication that a debtor is impaired. Where there is objective evidence that the carrying value is impaired then the impairments loss will be recognised in the SOCI.

i) Impairment of financial assets

The carrying values of financial assets not carried at Fair Value Through Profit & Loss ('FVTPL') are reviewed at each SOFP date. If the carrying value of trade receivables or debtors is impaired, the impairment is recognised through establishment of a loss allowance which is charged to the SOCI.

When a decline in the fair value of a financial asset classified as AFS has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the SOCI. The loss is measured as the difference between the amortised cost of the financial asset and its fair value.

If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed.

j) Interest receivable and similar income

Interest receivable and similar income relates to instalment fee income on policyholder debt. Income is recognised through the income statement in the period to which it relates to on an effective interest rate ('EIR') basis.

Income associated with the sale of a book of business is recognised in line with contractual obligations being satisfied.

k) Dividend recognition

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which the dividends are approved and are no longer at the discretion of the Company.

1. Accounting Policies (continued)

l) Insurance receivables

Insurance Receivables are recognised in a manner consistent with the premium income recognition as detailed in the General Insurance accounting policy note 1 (c). The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the SOCI.

m) Creditors

Creditors are recognised as the Company becomes contractually obligated to make an outflow of resources. They are initially recognised at fair value and subsequently held at amortised cost.

Trade and other payables include accruals for levies which are recognised when the obligating event of authorisation to undertake specified business activities on dates prescribed in relevant legislation has occurred.

n) Accruals and deferred income

Accruals and deferred income are recognised when the obligating event of authorisation to undertake specified business activities on dates prescribed in relevant legislation has occurred.

o) Taxation

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the SOCI unless it relates to items which are recognised in other comprehensive income.

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised or if the Company expects to receive economic benefit through other means. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income.

To calculate the current tax charge, the rate of tax used is 22% (2022: 19%), which is the rate of corporation tax applicable for the period. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The rate of tax used for the calculation of deferred tax is the rate of corporation tax that is expected to apply when the differences reverse.

p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

q) Intangible assets

Purchased software and costs directly associated with the internal development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Company which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Such intangible assets are stated at cost less cumulative amortisation and impairment losses. Amortisation begins when the asset becomes available for operational use and is charged to the income statement within administrative expenses on a straight- line basis over the estimated useful life of the software.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

r) Tangible assets

The initial cost of a tangible assets is capitalised where it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost is then depreciated on a straight line basis over the item's estimated useful working life over 3 to 10 years. The Company reviews the carrying value of tangible assets at each SOFP date where there has been an indication that impairment has occurred. If the carrying value of a tangible asset is impaired, the carrying value is reduced through a charge to the income statement.

s) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

1. **Accounting Policies (continued)**

t) Share premium

Share premium are proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

u) Leases

Where a significant proportion of the risks and rewards of ownership is retained by the lessor, leases are classified as operating leases. Payments made to lessors under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

v) Operating cash flows

Purchases and sales of financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance activities, net of payments of related claims.

w) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Company expects some or all of a provision to be reimbursed it is recognised as a separate asset when the reimbursement is certain. Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events. The Company will not recognise a contingent liability in the SOFP, but will make disclosure unless the outflow of economic resources is remote.

2. **Profit before taxation**

	2023	2022
	£'000	£'000
Profit before taxation is stated after charging:		
Auditors' remuneration (see below for further analysis)	545	571

During the period fees (excluding VAT) were paid to the Company auditors for the following services:

	2023	2022
Audit services		
Audit of these financial statements	462	407
Overruns charged for prior year statutory audit services	-	85
Other audit related assurance services - required by national regulation	83	79
Total	545	571

Line of business analysis

For the year ended 30 September 2023

	Accident and health	Fire and other damage to property	Third party liability	Miscellaneous	Total
	£'000	£'000	£'000	£'000	£'000
Gross written premiums	46	79,478	2,038	94	81,657
Gross premiums earned	46	127,941	3,281	94	131,362
Interest receivable and similar income / (expense)	111	-	-	167	278
Total gross technical income	157	127,941	3,281	261	131,640
Gross claims incurred	398	(102,231)	(2,948)	2,643	(102,138)
Gross operating expenses	(19)	(49,986)	(1,467)	(4,232)	(55,705)
Total gross technical charges	379	(152,218)	(4,415)	(1,589)	(157,843)
Gross balance on technical account	536	(24,277)	(1,135)	(1,329)	(26,204)
Reinsurance balance on technical account	(196)	26,691	30	(1,323)	25,202
Balance on technical account	340	2,414	(1,105)	(2,652)	(1,001)

2. Loss before taxation (continued)

Line of business analysis (continued)

For the nine month ended 30 September 2022

	Accident and health £'000	Fire and other damage to property £'000	Third party liability £'000	Miscellaneous £'000	Total £'000
Gross written premiums	32	97,652	2,502	(51)	100,135
Gross premiums earned	818	161,237	4,293	10,422	176,770
Interest receivable and similar income / (expense)	74	-	-	110	184
Total gross technical income	892	161,237	4,293	10,532	176,954
Gross claims incurred	1,013	(106,180)	(2,653)	(4,999)	(112,819)
Gross operating expenses	(506)	(83,285)	(1,903)	(4,596)	(90,290)
Total gross technical charges	507	(189,465)	(4,556)	(9,595)	(203,109)
Gross balance on technical account	1,399	(28,228)	(263)	937	(26,155)
Reinsurance balance on technical account	(740)	11,677	(412)	(685)	9,840
Balance on technical account	659	(16,551)	(675)	252	(16,315)

Geographical analysis

All policies underwritten by the Company related to risks based in the United Kingdom and associated Crown Dependencies.

3. Investment income

	2023 £'000	2022 £'000
Investment income on available-for-sale financial assets	2,286	1,223
Dividend income	-	583
Realised (losses)/gains on available-for-sale financial assets	-	(58)
	2,286	**1,748**

The dividend income was received from the Company's subsidiary, Fairmead Distribution Services Limited, which was dissolved on 2 August 2022.

4. Interest receivable and similar income

	2023 £'000	2022 £'000
Interest receivable and similar income: instalment fee income	-	-
Income associated with the sale of Accident, Sickness and Unemployment ('ASU') book	278	184
	278	**184**

5. Insurance claims

	2023 £'000	2022 £'000
Claims paid		
- gross	127,803	132,999
- reinsurance recoveries	(99,711)	(95,167)
	28,092	37,832
Change in insurance liabilities		
- gross	(15,329)	(14,894)
- reinsurance recoveries	(1,810)	8,149
- gross unexpired risk provisions	(10,336)	(5,286)
- reinsurers' share of unexpired risk provisions	2,509	4,044
Net claims and change in insurance liabilities	**3,126**	**29,845**

6. Acquisition costs

	2023 £'000	2022 £'000
Acquisition costs	30,960	34,285
Change in deferred acquisition costs	17,207	17,846
	48,167	**52,131**

All commissions have resulted from direct insurance business.

7. Employee information

The Company had no direct employees during 2023. As a result the Company incurred no direct staff costs and made no direct contributions towards retirement benefits (2022: none). Staff resources were provided by LVGIG, which transferred those costs to the Company through re-charges.

8. Directors' emoluments

The remuneration of the Directors was paid by other companies within the group and there was no recharge to the Company either via a management recharge or a direct charge. The only exception to this was the remuneration of M. S. Blackburn who was paid by LVGIG up to his resignantion date and LVGIG made a recharge to the Company during the year ended 30 September 2023 of £48k (aggregate Directors' emoluments recharged for the nine months ended 30 September 2022: £155k). The Company is a subsidiary of LVGIG which acts as a services Company within the group.

9. Other expenses

		2023 £'000	2022 £'000
Administrative expenses	(i)	7,506	38,117
Investment management expenses		33	42
		7,538	**38,159**

(i) Administrative expenses

	2023 £'000	2022 £'000
Recharge from LVGIG - staff related costs	4,730	8,741
IT software, consulting and maintenance costs	-	19,167
Levies	3,307	8,345
Others	(531)	1,864
	7,506	**38,117**

10. Reinsurance commission and expenses

	2023 £'000	2022 £'000
Reinsurance commissions	(33,316)	(33,803)
Change in reinsurance deferred acquisition costs	(17,666)	(16,947)
Expenses recoverable from reinsurers	(1,787)	(7,807)
	(52,768)	**(58,557)**

11. Total tax credit

	2023 £'000	2022 £'000
Current tax		
- Current tax for the period	(523)	(3,616)
- Adjustments in respect of prior periods	123	-
Total current tax credit	(400)	(3,616)
Deferred tax		
- Movement in temporary differences	830	621
- Impact of change of taxation rates on deferred taxation balances	(2)	(4)
- Adjustments in respect of prior periods	-	-
Total deferred tax charge/ (credit)	828	617
Total tax credit	**428**	**(2,999)**

11. Total tax credit (continued)

The tax attributable to equity holders differs from the tax calculated at the standard UK corporation tax rate as follows:

	2023 £'000	2022 £'000
Income / (Loss) before tax attributable to equity holders	1,285	(14,567)
Corporation tax at 22% (2022: 19%)	283	(2,768)
Effects of:		
Adjustments in respect of prior periods	123	-
Impact of change of taxation rates on deferred taxation balances	(2)	(4)
Impact of transfer pricing adjustments	24	(116)
Non-taxable income	-	(111)
Tax attributable to equity shareholders	**428**	**(2,999)**

12. Income tax asset

	2023 £'000	2022 £'000
Tax due within 12 months	**-**	**-**

13. Deferred Tax

	Net tax asset as at 1 October 2022 £'000	Tax (charged) to the income statement £'000	Tax credited to equity £'000	Net tax asset as at 30 September 2023 £'000
Excess of capital allowances over depreciation	5,225	(828)	-	4,397
Available-for-sale financial assets	2,247	-	(850)	1,397
Tax losses	-	-	-	-
Deferred tax asset	7,472	(828)	(850)	5,794

	Net tax asset as at 1 January 2022 £'000	Tax credited to the income statement £'000	Tax credited to equity £'000	Net tax asset as at 30 September 2022 £'000
Excess of capital allowances over depreciation	5,842	(617)	-	5,225
Available-for-sale financial assets	116	-	2,131	2,247
Deferred tax asset	5,958	(617)	2,131	7,472

The increase in the UK corporation taxation rates from the current rate of 19% to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021. The deferred taxation balances are calculated using the corporation taxation rates which will prevail when the balances unwind. The deferred taxation balances in respect of available-for-sale financial assets at 30 September 2023 are recognised at 25% (30 September 2022: 25%) and excess of depreciation over capital allowances at a blended rate of 25% (30 September 2022: 24.5%).

14. Intangible assets

	2023 £'000	2022 £'000
Cost		
As at 1 October	68,836	72,371
Disposals	-	(3,535)
Write offs	(68,836)	-
As at 30 September	-	68,836
Accumulated amortisation		
As at 1 October	68,836	72,371
Disposals	-	(3,535)
Write offs	(68,836)	-
As at 30 September	-	68,836
Closing net book value	-	-
Opening net book value	-	-

During the prior period ended 30 September 2022, intangible assets represented the costs associated with the development of computer software. In November 2022, the Company completed a strategic project to integrate its operations within the wider LVGIG and Allianz operations. As a result, all existing computer software and software under development was decommissioned and written off from within the Company's accounting records.

15. Tangible assets

	2023 £'000	2022 £'000
Cost		
As at 1 October	4,632	5,934
Disposals	-	(1,302)
Write offs	(4,632)	-
As at 30 September	-	4,632
Accumulated depreciation		
As at 1 October	4,632	5,934
Depreciation and impairment charge for the period	-	-
Disposals	-	(1,302)
Write offs	(4,632)	-
As at 30 September	-	4,632
Closing net book value	-	-
Opening net book value	-	-

Tangible assets represent existing plant and equipment. In November 2022, the Company completed a strategic project to integrate its operations within the wider LVGIG and Allianz operations. As a result, all existing plant and equipment was decommissioned and written off from within the Company's accounting records.

16. Investments in subsidiaries

The details of the Company's subsidiaries are set out below:

Held directly by the business	Nature of business	Incorporated In
Buddies Enterprises Limited ('Buddies')	Insurance intermediary	England & Wales

The registered office of the subsidiary is 57 Ladymead, Guildford, Surrey, GU1 1DB. The subsidiary is 100% owned and has a 31 December financial year end. The carrying value of the Company's investment in its subsidiary is £nil (2022: £nil) after this investment was impaired in full in 2019.

The Company's former subsidiary, Fairmead Distribution Services Limited ('FDSL'), which it 100% owned was dissolved on 2 August 2022.

17. Prepayments and accrued income

	2023 £'000	2022 £'000
Accrued interest	1,063	1,202
Deferred acquisition costs	6,608	23,815
Prepayments	1,416	1,295
	9,087	**26,312**

Movement in gross and reinsurance deferred acquisition costs

	Gross 2023 £'000	RI 2023 £'000	Gross 2022 £'000	RI 2022 £'000
As at 1 October 2022/1 January 2022	23,815	(24,273)	41,661	(41,220)
Acquisition costs movement in provision	(17,207)	17,666	(17,846)	16,947
As at 30 September 2023	6,608	(6,607)	23,815	(24,273)
To be amortised within 12 months from the reporting date	6,608	(6,607)	23,815	(24,273)

18. Investments: other financial investments

	2023 £'000	2022 £'000
Financial investments designated as available-for-sale:		
Debt securities and other fixed income securities	67,246	78,344
	67,246	78,344
Maturity date of security within 12 months date of the reporting date	18,031	12,492
Maturity date of security after 12 months from the reporting date	49,215	65,852
	67,246	78,344

All current and prior period financial investments have been designated as available-for-sale.

None of the financial investments have been pledged as collateral against derivative liabilities (2022: £nil).

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:

Level 1:	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3:	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

18. Investments: other financial investments (continued)

Fair value hierarchy (continued)

The following table presents the Company's assets by FRS 102 hierarchy levels:

As at 30 September 2023	Total	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Debt securities and other fixed income securities	67,246	20,270	46,976	-

As at 30 September 2022	Total	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Debt securities and other fixed income securities	78,345	24,609	53,735	-

19. Technical provisions

	Gross 2023 £'000	RI 2023 £'000	Gross 2022 £'000	RI 2022 £'000
Provision for Unearned premiums	17,341	(17,341)	67,045	(60,469)
Claims outstanding	129,358	(118,426)	144,688	(116,616)
Unexpired risk provision				
As at 1 October/1 January	13,535	(5,356)	18,821	(9,400)
Movement in provision	(10,335)	2,509	(5,286)	4,044
As at 30 September 2023/ 31 December 2022	3,199	(2,847)	13,535	(5,356)
Total technical provisions	**149,898**	**(138,614)**	**225,268**	**(182,441)**

The reinsurers share of claims outstanding includes an amount of £10,640k (2022: £3,824k) in relation to gross claims payments already made in respect of household business underwritten through the MGA for which the corresponding reinsurance share is yet to be agreed with the reinsurer. As at 30 September 2023 the Company was in correspondence with the reinsurer to finalise the reinsurers share relating to those claims paid. As a result, the reinsurers share as noted above has not been reclassified into receivables as at the balance date. See note 22.

Expected gross and net insurance claim cash flows

	Date of undiscounted cash flow						Carrying value
	0-1 year	1-2 years	2-3 years	3-4 years	4+ years	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 September 2023							
Gross claims outstanding	79,636.19	28,442.66	13,479.26	6,159.50	1,640.87	129,358	129,358
Net claims outstanding	6,730	2,404	1,139	521	139	10,933	10,933
As at 30 September 2022							
Gross claims outstanding	64,746	37,687	20,067	12,390	9,799	144,689	144,689
Net claims outstanding	12,562	7,312	3,893	2,404	1,901	28,072	28,072

Insurance cash flows are based on the expected date of settlement.

Movement in claims outstanding	Gross 2023 £'000	RI 2023 £'000	Gross 2022 £'000	RI 2022 £'000
As at 1 October	144,688	(116,616)	159,582	(124,765)
Claims arising	100,325	(98,629)	113,502	(84,701)
Claims paid	(127,803)	99,711	(132,999)	95,167
Adjustments to prior period gross liabilities / reinsurance assets	12,148	(2,892)	4,603	(2,317)
As at 30 September	**129,358**	**(118,426)**	**144,688**	**(116,616)**

19. Technical provisions (continued)

Movement in Unearned premium

	Gross 2023 £'000	RI 2023 £'000	Gross 2022 £'000	RI 2022 £'000
As at 1 October	67,045	(60,469)	143,681	(100,055)
Movement in provision	(49,704)	43,128	(76,636)	39,586
As at 30 September	**17,341**	**(17,341)**	**67,045**	**(60,469)**

All Unearned premiums are expected to be earned within one year.

20. Debtors

	2023 £'000	2022 £'000
Receivables arising out of direct insurance operations - policyholders	-	11,815
Receivables arising out of direct insurance operations - intermediaries	10,531	39,746
Receivables arising out of reinsurance operations - related parties (note 34 h)	1,628	6,872
Amounts owed by group undertakings	1,865	33,202
Other receivables	7,655	9,983
Other debtors	9,521	43,185
Total debtors	21,680	101,618
Receivable within 12 months from the reporting date	**21,680**	**101,618**

Within Receivables arising out of direct insurance operations - policyholders is £nil (2022: £53k) due from related parties (note 34 a) and within Receivables arising out of direct insurance operations - intermediaries is £nil (2022: £nil) due from related parties (note 34 b). These relate to premiums collected by Buddies on behalf of the Company.

The Company does not have significant receivables from policyholders that are past due and for which provision has not been made at 30 September 2023. The Company has £10,531k (2022: £13,622k) of pipeline premium receivables from intermediaries that are past due. This figure is shown after the impact of an assumed non-recoverable rate of 1.05% of the total estimated pipeline premium (2022: 2.4%). This is on a specific book of business with an MGA, which is subject to 100% quota share in respect of all economic risk. The total bad debt on receivables from intermediaries reduced from prior year and stood at £3,018k (2022: £4,329k).

Other receivables include imprest float balances provided to certain suppliers and managing general agent partners to fund policyholder claims payments of £7,650k (2022: £9,825k).

Included within 'Amounts owed by group undertakings' is £1,066k (2022: £29,845k) receivable from Allianz Societas Europaea ('Allianz SE') (note 34 e). This is money transferred by the Company to the Allianz SE group cash pool as part of the wider Allianz SE group cash management processes. Also included are £nil (2022: £674k) receivable from Buddies (note 34 c) and £799k (2022: £2,683k) receivable from LVGIG (note 34 d).

21. Cash at bank and in hand

	2023 £'000	2022 £'000
Cash at bank and in hand	**3,143**	**17,432**

22. Claims development tables

The tables below present changes in the historical provision for losses and loss adjustment expenses since 2018 and the provision for losses and loss adjustment expenses arising in each subsequent accident year. For this purpose, the 2021 and prior accident years cover the period from 1 January until 31 December, the 2022 accident year covers the period from 1 January 2022 until 30 September 2022, and the 2023 accident year covers the period from 1 October 2022 until 30 September 2023.

The top section of the tables illustrate how the estimate of total claims outstanding for each accident year developed over time. The bottom section of the table reconciles the cumulative claims to the amounts appearing in the statement of financial position date.

The Company continued to handle all existing open claims until 5th November 2022, at which point all remaining open claims were transferred to LVIC to handle. From 1 April 2022, a delegated claims handling agreement was put in place with all newly reported claims being handled by LVIC at an agreed cost per claim to the Company. With all policies now in run-off, the volume of new claims has significantly reduced. The estimated cost at 30th September payable by the Company to LVIC for handling future new claims was deemed to be minimal and an overall gross claims handling provision of £104k has been assumed. This figure includes an additional allowance should volumes exceed expected levels.

Gross of reinsurance

Accident period	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of ultimate claims costs:							
- At end of accident period	234,502	241,444	249,256	180,302	113,502	100,325	
- One period later	235,671	246,317	240,899	186,817	107,860	-	
- Two periods later	241,819	249,973	238,693	198,701	-	-	
- Three periods later	244,978	249,843	241,616	-	-	-	
- Four periods later	246,691	253,211	-	-	-	-	
- Five periods later	247,659	-	-	-	-	-	
Estimate of cumulative claims	247,659	253,211	241,616	198,701	107,860	100,325	1,149,373
Cumulative payments	(242,894)	(246,583)	(231,384)	(177,481)	(83,570)	(40,324)	(1,022,236)
Outstanding claims provision	4,766	6,628	10,232	21,220	24,291	60,001	127,137
Outstanding claims provision for prior accident periods							2,118
Claims handling provision	10	12	17	32	23	10	104
Total claims liabilities recognised in the statement of financial position							129,358

Net of reinsurance

Accident period	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of ultimate claims costs:							
- At end of accident period	183,690	138,433	76,607	62,046	28,801	7,142	
- One period later	185,370	143,736	63,070	57,796	29,525	-	
- Two periods later	182,269	146,254	77,146	64,680	-	-	
- Three periods later	185,039	150,503	75,986	-	-	-	
- Four periods later	182,088	151,380	-	-	-	-	
- Five periods later	182,434	-	-	-	-	-	
Estimate of cumulative claims	182,434	151,380	75,986	64,680	29,525	7,142	511,146
Cumulative payments	(180,183)	(148,571)	(73,224)	(59,610)	(27,797)	(11,899)	(501,284)
Outstanding claims provision	2,251	2,809	2,762	5,070	1,727	(4,757)	9,862
Outstanding claims provision for prior accident periods							1,019
Claims handling provision							52
Total claims liabilities recognised in the statement of financial position							10,933

For accident periods 2020 to 2023 cumulative payments within the bottom section of this table include amounts relating to gross claims payments already made in respect of household business underwritten through the MGA totalling £10,640k, for which the respective reinsurance share has not been deducted from those cumulative gross payments. This is further discussed in note 19. If it would have been deducted, then the net cumulative payments would have decreased by £10,640k (2023: £7,266k, 2022: £1,986k, 2021: £1,041k, 2020: £346k). As a result, the net total claims liability would have increased by the same amount. See note 19.

23. Balances due from reinsurers

	2023 £'000	2022 £'000
Recoveries due from reinsurers	4,207	-
	4,207	**-**

The quota share arrangement to which this balance relates is with Allianz Re Dublin Designated Activity Company ('Allianz Re'), a fellow member of the wider Allianz SE Group (see note 34 and in the Strategic Report on page 4). The underlying 2023 quota share arrangement treaty resulted in a net receivable position due to reserves and related reinsurance recoveries developments. This balance will unwind as the treaty earns through and claims are settled.

24. Deposits received from reinsurers

	2023 £'000	2022 £'000
Quota share funds withheld	701	18,228
	701	**18,228**

The underlying 2022 quota share arrangement to which this balance relates is with Allianz Re Dublin Designated Activity Company ('Allianz Re'), a fellow member of the wider Allianz SE Group (see note 34 (ii) (g) and in the Strategic Report on page 4).

25. Creditors

	2023 £'000	2022 £'000
Creditors arising out of direct insurance operations - agents, brokers and intermediaries	3,614	3,144
Creditors arising out of reinsurance operations	21,741	45,179
Other creditors	20,490	17,103
	45,845	**65,426**

All creditors are expected to be settled no more than twelve months after the statement of financial position date. Within creditors arising out of reinsurance operations, £277k (2022: £1,856k) is due to related parties (note 34h).

Creditors arising out of direct insurance operations represent redress cheques that have been issued to customers that have not yet been cashed and therefore not cleared the Company's bank account. The cheques go back to June 2020 and have been reclassified to creditors from the cash and bank account due to the length of time they have remained uncashed.

		2023 £'000	2022 £'000
(i) Other creditors			
- Amounts owed to group undertakings (note 34 a, g, h (v), i,j and k)		13,401	1,712
- Other payables	(ii)	7,089	15,391
		20,490	17,103

	2023 £'000	2022 £'000
(ii) Other payables		
Insurance premium tax ('IPT')	7,089	13,209
Sundry creditors	-	2,182
	7,089	15,391

26. Income tax liability

	2023 £'000	2022 £'000
Tax payable within 12 months	**111**	**517**

27. Accruals and deferred income

	2023 £'000	2022 £'000
Accruals	928	7,633
Reinsurance share of deferred acquisition costs (note 17)	6,607	24,273
	7,536	**31,906**

All Accruals and deferred income are expected to be settled no more than twelve months after the statement of financial position date.

28. Commitments

a) Capital commitments

Authorised and contracted commitments payable after 30 September 2023 are £nil (30 September 2022: £nil).

b) Guarantee

Tata Consultancy Services ("TCS") provided software support and related systems maintenance services to the Company. In the course of the services, TCS was required to have access to Flood Re data and thus it entered into a data sharing agreement ("DSA") with Flood Re on Flood Re's standard terms. Legal & General Resources Limited ("LGRL") granted an indemnity to TCS to compensate it for any Flood Re claims under the DSA (on the terms of agreement between LGRL and TCS). The Company, as the beneficiary of the services, granted an uncapped indemnity in favour of LGRL in respect of this TCS indemnity. As part of the Company's exit of the transitional services arrangement with the Legal & General Group at 31 December 2022, the Company no longer benefits from the services of TCS and no indemnity arrangement exists.

c) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2023 £'000	2022 £'000
- Not later than 1 year	1,117	1,117
- Later than 1 year and not later than 5 years	147	1,264
	1,264	**2,381**

Any lease, and associated building costs, have been recharged to a group company from 1 January 2023.

29. Share capital

	2023 £'000	2022 £'000
Issued and fully paid:		
36,999,999 ordinary shares of £1 each	**37,000**	**37,000**

30. Share premium

	2023 £'000	2022 £'000
As at 1 October 2022 / 1 January 2022	-	96,053
Capital reduction	-	(96,053)
	-	-

The share premium reduction was effected under section 641 (1) (a) of the Companies Act 2006. The Board approved the transaction on 4 May 2022 subject to conditions including approval by the Prudential Regulation Authority (PRA). These conditions including PRA approval were satisfied on 18 July 2022 and documents were filed with the Registrar of Companies who registered the transaction effective 19 July 2022. The Board approved that subjectives had been satisfied on 18 July 2022 and this was further ratified at the Board meeting subsequently held 2 August 2022.

31. Retained earnings

	2023 £'000	2022 £'000
As at 1 October 2022/ 1 January 2022	42,010	12,525
Capital reduction	-	96,053
Dividend (interim)	(30,000)	(55,000)
Retained profit/(loss) after taxation for the period	857	(11,568)
As at 30 September 2023 / 2022	12,867	42,010

32. Available-for-sale reserve

	2023 £'000	2022 £'000
As at 1 October 2022/ 1 January 2022	(6,736)	(345)
Change in value of available-for-sale financial assets	3,399	(8,580)
Change in value of available-for-sale financial assets transferred to profit and loss	-	58
Deferred tax on these items	(850)	2,131
As at 30 September 2023 / 2022	(4,187)	(6,736)

33. Holding company

The immediate parent company is Liverpool Victoria General Insurance Group. The immediate parent company is registered and domiciled in the United Kingdom.
The ultimate parent company is Allianz SE, a company incorporated in Germany, which is the controlling party. Allianz SE is the first and largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. These financial statements therefore provide information about the Company as an individual undertaking. Copies of the financial statements of the ultimate holding company, Allianz Societas Europaea, are available on request from Allianz SE, Koeniginstrasse 28, 80802, Munchen, Germany.

34. Related Party Transactions

i) Key management personnel

Key management personnel represented by the members of the board of Directors are listed on page 10. Director remuneration is discussed in detail in note 8.

ii) Transactions with group companies

The Company performed a number of transactions with the Allianz SE group of companies during the normal course of business. The following transactions were undertaken, and the corresponding balances receivable/(payable) at the period end with FDSL (a), Buddies (a, b and c), LVGIG (d), Allianz SE (e), PIMCO Europe Ltd ('PIMCO') (f), Allianz Re (g) and Liverpool Victoria Insurance Company Ltd ('LVIC') (h, i and j). For the Credit / (charge) columns below, 2023 figures relate to the twelve months ended 30 September 2023 and 2022 figures relate to nine months ended 30 September 2022.

	Credit / (charge)		Receivable / (payable)	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
a. Policy collections by Buddies	-	-	-	53
b. Intermediary relationship with Buddies	-	6	-	-
c. Policy servicing provided by Buddies	-	(285)	-	674
d. Management Charge	4,070	13,621	799	2,683
e. Cash pool	1,222	410	1,066	29,845
f. Investment management fees	(33)	(42)	-	(15)
g. i) Reinsurance premium (Az Re)	(7,017)	(51,326)	(178)	(11,211)
ii) Reinsurance commission (Az Re)	2,517	17,626	-	3,658
iii) Reinsurance claims (Az Re)	13,698	31,863	1,628	12,569
iv) Funds withheld (Az Re)	-	-	(701)	(18,228)
v) Interest on funds withheld (Az Re)	(3)	(34)	(3)	(34)
vi) Recoveries due from reinsurers (Az Re)	-	-	4,207	-
h. i) Revolving credit facility with LVIC	-	-	(5,600)	-
ii) Revolving credit facility with LVIC - Interest	24	-	(24)	-
i. Claims recharges (LVIC)	-	-	(7,420)	(1,526)
j. Claims handling expenses (LVIC)	(624)	(762)	(355)	(138)

34. Related Party Transactions (continued)

ii) Transactions with group companies (continued)

a. The Company used its subsidiary Buddies to collect premiums in respect of pet policies sold during the prior year.

b. In the prior year the Company sold Pet insurance through its subsidiary, Buddies, which acted as intermediary. Buddies received commission in respect of the premiums sold on Buddies branded policies, and the balance of premium owed on the policies (net of commission) is treated as a receivable due from Buddies.

c. In the prior year the Company used its subsidiary Buddies to service policies and claims in respect of pet policies sold. The receivable was the claims float advanced to Buddies to settle claims on behalf of the Company, net of costs incurred that were recharged to the Company.

d. The Management charge recoverable from LVGIG.

e. The Company transfers money daily to Allianz SE cash pool for Allianz SE group cash management.

f. The Company engages the services of PIMCO to manage the investment portfolio.

g. Reinsurance premium, commission and claims accepted/paid by Allianz Re as part of the Company's catastrophe and reinsurance quota share treaty. The balances shown are the net position owed on the arrangements with Allianz Re of a £1,628k debtor (2022: £6,872k) as per note 20, and a £277k creditor (2022: £1,856k) as per note 25.
The funds withheld balance with Allianz Re of a £701k creditor (2022: £18,228k) is calculated as Allianz Re Dublin's share of the Company's reserves less recoveries from other reinsurance arrangements under the 2022 quota share treaty reinsurance arrangement as per note 24. There is interest payable on the funds withheld.

For the underlying 2023 quota share arrangement with Allianz Re, the treaty resulted in a net receivable position of £4,207k (2022: nil) due to reserves and related reinsurance recoveries developments as per note 23. This balance will unwind as the treaty earns through and claims are settled.

h. LVIC provides a revolving credit loan facility to the Company. Refer to note 36 for further details.

i. LVIC recharges the Company's claims processed by LVIC under a delegated authority arrangement entered into during the year ended 30 September 2023.

j. LVIC recharges claims handling expenses related to the Company's claims processed by LVIC under a delegated authority arrangement entered into during the year ended 30 September 2023.

None of these balances are secured on the assets of any Allianz SE group undertaking.

35. Critical accounting estimates and judgements

General comments regarding assumptions and methodology

Actuarial and statistical methods have been applied to the claims data to arrive at the estimates of the claim reserves gross and net of reinsurance. The reserve is the sum of the outstanding case estimates on the claims administration system, plus an amount for claims that have been incurred but have not yet been reported and an allowance for changes in the system case estimates. The most uncertain element of the reserve is the incurred but not reported (IBNR) amount.

The IBNR reserve can be thought of as the amount that will ultimately be paid in addition to the amount that has already been paid and the amount currently reserved for as case estimates.
For the household business, IBNR includes not only claims that have not yet been reported, but also the positive or negative development of the case estimates attributed to reported cases, also known as IBNER (incurred but not enough reported).

In cases where the claims data provided contains claims handling expenses, these are included and projected in the estimates of the claim reserves. In addition, allowance is made for unallocated claims handling expenses on outstanding and IBNR claims.

A margin is held over and above the best estimate IBNR reserve to allow for the uncertainty in reserves.

Various methods are used to determine the IBNR. The choice of method depends on the class of business and the peril being assessed. The methods are explained below:

Projection of paid and incurred claim amounts using the basic chain ladder method

These are methods for estimating the ultimate cost (and therefore the incurred but not reported claims) based on either the paid or the incurred (i.e. the paid claims plus the notified case estimates) claims data.

35. Critical accounting estimates and judgements (continued)

Projection of paid and incurred claim amounts using the basic chain ladder method (continued)
Development factors are calculated for each origin period that reflect the patterns of claim reporting and payment, and the relative adequacy of the notified case estimates over time. The choice of historical period for determining development factors is a matter of judgement.

During 2023 reserving for claims on the non-MGA household account has been predominantly based on paid claims methods with the addition of adjustments to reflect longer-tailed claims.

Exposure based methods
Exposure based methods estimate the ultimate cost (and therefore the incurred but not reported claims) based on exposure measures relating to the origin years considered. The simplest exposure based method is the expected loss ratio method. The ultimate cost is estimated by multiplying the earned premium for the relevant origin period by an estimate of the loss ratio for that origin period. This selected loss ratio takes account of historical data, trends and other available information such as premium rating activity and requires judgement. The Bornhuetter-Ferguson approach combines the chain ladder method described above with the expected loss ratio method. This moderates the influence of the current development of the most recent origin years on the estimate of the ultimate cost. This can be beneficial in circumstances where the data for the most recent origin years is sparse or for longer tailed classes.

Key drivers of uncertainty in the Company's reserves
Uncertainty in the Company's reserves can arise from a number of factors both internal and external. For example:

- On Household, the Company's biggest driver of uncertainty, IBNR claims could increase due to the emergence of latent claims, for example in liability following an adverse court judgment, or in subsidence due to surge events resulting in more historical claims being re-opened.
- Economic factors also act to increase the uncertainty, with a key recent driver being the elevated inflation rates. This has been increasing the average cost of claim over recent periods and there is a risk that inflation remains at an elevated level for longer than expected.
- The choice of actuarial methods and the underlying assumptions within these models.

Given this uncertainty, it is Company policy to hold reserves above the best estimate.

Reserving at this level provides a margin against reasonable levels of uncertainty, whilst avoiding excessive prudence for UK GAAP reporting purposes.

Subsidence
There remains a significant amount of uncertainty around the ultimate cost of subsidence claims on the household business. Although hot weather has been more benign in 2023, there is a risk that future extended periods of hot and dry weather could lead to re-opening of past claims and result in prior year deteriorations. The MGA household book is fully reinsured for the 2020 and later accident years meaning there is significantly less exposure on a net basis.

Inflation
There is significant uncertainty around the impact of the high levels of inflation on the ultimate cost of claims. The actuarial claims projections reflect increased claims costs observed in claims settled to date and the anticipated impact of inflation on claims yet to be settled.

35. Critical accounting estimates and judgements (continued)

Financial impact of the uncertainty

The Company's reserves have been assessed based on the latest information available and judgement applied based on this information. An indication of the financial impact arising from the uncertainty around the reserves is considered in the sensitivity analysis set out in the risk management and control section.

Household

A margin is held to cover the uncertainty associated with adverse claims experience.

Premium uncertainty

Premiums are accounted for in the period in which the risk commences as gross written premium. Estimates are included for premiums not notified by the period end. For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The total gross written premium of such estimated premiums for the year ended 30 September 2023 was £2,397k (nine months ended 30 September 2022: £26,254k). The total earned premium on such estimated premiums for the year ended 30 September 2023 was £2,310 (nine months ended 30 September 2022: £3,237k).

36. Risk management and control

The Company's primary objective in undertaking risk management activity is to manage risk exposure in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Company's risk appetite, is in place for material exposures.

A significant part of the Company's business involves the acceptance and management of risk. The Company operates a formal risk management framework to ensure that all significant risks are identified and managed.

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

Insurance risk

Insurance risk arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks. Insurance risk is managed using the following techniques:

Policies and delegated authorities for underwriting, pricing and reinsurance

The Company's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place. Pricing is based on assumptions which have regard to past experience and expected future trends. Insurance exposures are limited through reinsurance.

The principal general insurance reinsurances are excess of loss catastrophe treaties and proportional reinsurance. Under the excess of loss catastrophe treaty, the cost of claims from a weather event, in excess of an agreed retention level, is recoverable from reinsurers. Under the proportional cover the reinsurer receives a share of premium and in return pays the same share of claims. The Company's exposure to insurance risk has been declining as the business runs off, other than a specific book of business with an MGA, which is subject to a 100% quota share arrangement covering all economic risk.

Reserving policy

The Company has a documented reserving policy setting out the basis on which liabilities are to be determined using statistical analysis and actuarial experience. Discussion of the key drivers of uncertainty in the Company's reserves can be found in note 35.

36. Risk management and control (continued)

Insurance risk (continued)

The principal products of the Company are:

Household (Year to 30 September 2023 GWP: £81,516k; nine months ended 30 September 2022 GWP: £100,155k

These contracts provide cover in respect of householders' homes, investment properties, contents, personal belongings and incidental liabilities which they may incur as a property owner, occupier and individual. Exposure is normally limited to the rebuilding cost of the home, the replacement cost of belongings and a policy limit in respect of liability claims. The Company uses reinsurance to manage the exposure to an accumulation of claims arising from any one incident, usually severe weather. The Company has a catastrophe treaty in place which is a joint treaty and covers the whole LVGIG. This treaty provides protection to Liverpool Victoria Insurance Company Ltd ('LVIC'), Highway Insurance Company Ltd ('HICO') and the Company. Under this treaty all losses in the Group are combined and ceded to the treaty. The treaty reinsures the Group for total losses between £30,000k and £770,000k (2022: £30,000k and £965,000k) for a single event. A quota share treaty is in force that reinsures 50% of all business meaning 50% of all premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims being recovered from the reinsurer. The Company's exposure to household insurance risk is declining as the business runs off, other than a specific book of business with an MGA, which is subject to a 100% quota share arrangement covering all economic risk.

As at 30 September 2023, the gross IBNR for Household has been set at £36,976k. As highlighted in Note 35, there is uncertainty around the eventual claims outcomes particularly in relation to subsidence and inflation, the impact of which emerges over time and can be difficult to predict. Further quantitative analysis of the potential impact of subsidence is covered in the sensitivity tests provided below. Given that the Company is now in run-off, the gross IBNR is expected to reduce over time. Furthermore, the majority of the gross IBNR relates to the MGA business which, as noted above, is subject to a 100% quota share reinsurance agreement which provides risk mitigation.

Accident, sickness and unemployment (Year to 30 September 2023 GWP: £116k; nine months ended 30 September 2022 GWP: £81k)

These contracts provide cover in respect of continuing payment liabilities incurred by customers when they are unable to work as a result of accident, sickness or unemployment. They protect predominantly mortgage payments. Exposure is limited to the monthly payment level selected by the customer sufficient to cover the payment and associated costs, up to the duration limit specified in the policy, usually 12 months. From 1 January 2020, a quota share treaty is in force which reinsures 50% of all business meaning 50% of all earned premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims incurred being recovered from the reinsurer. The ASU book has been in run-off following the sale of this business in 2021.

Pet (Year to 30 September 2023 GWP: £24k; nine months ended 30 September 2022 GWP: (£101k)

These contracts provide cover in respect of veterinary expenses incurred treating policyholder's pets. From 1 January 2020, a quota share treaty is in force which reinsures 50% of all business meaning 50% of all earned premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims incurred being recovered from the reinsurer. The Pet book is now in run-off following the start of the migration of this business in 2021.

Key risk factors:

Weather events

Significant weather events such as windstorms, coastal and river floods and prolonged periods of freezing temperatures can lead to significant claims.

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 was managed by ensuring that the risk acceptance policy, terms and premiums both reflected 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 (2022: 1 in 500 years).

Subsidence

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.

36. Risk management and control (continued)

Economic downturn
Periods of rapid and prolonged national economic downturn can create significant variation in the frequency and severity of accident, sickness and unemployment claims experience. The Company's exposure to all these key risk factors has decreased as the books of business run off.

Market risk
The Company's exposure to market risk 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 and liabilities 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. The Company is exposed to these risks on the investment portfolio that is maintained to meet the obligations to policyholders. During the period, the Company invested in government and corporate bonds and so is not exposed to equity and property price fluctuations.

During 2022/23 there have been various external factors which have caused market and economic volatility across the globe. The conflict in Ukraine and supply chain issues caused from the COVID pandemic have both played significant factors in rising inflation. Governments have tried to counteract the rising inflation by increasing interest rates however market uncertainty across the globe still persists. These factors have led to the Company's investment portfolio producing negative returns during 2022/23, driven by the increases in interest rates and credit spreads which both result in bond prices going down.

The Company invests in sterling denominated assets only and so is not exposed to losses as a result of fluctuations in the value of, or income from, assets denominated in foreign currencies. As the Company's investment portfolio runs off, the Company's exposure to market risk continues to decrease.

Credit risk

Credit risk is the exposure to loss if another party fails to perform its financial obligations to the Company.

The Company's exposure to credit risk includes:
- Banking counterparty risk;
- Investment counterparty risk;
- Reinsurer credit risk; and
- Premium debtor and supplier prepayment risk.

Banking and investment counterparty risks are controlled through limits on the exposure to individual counterparties. Reinsurer credit risk is controlled through a requirement that all reinsurers have S&P ratings of A- or better or AM Best rating of A- or better and who are approved by the Allianz SE Group Risk Security Vetting Team for the type of business being reinsured. Limits are placed on premium and supplier risks to mitigate exposure.

The credit profile of the Company's assets exposed to credit risk is shown in the table below. The credit rating bands are provided by independent rating agencies. For unrated assets, internal ratings are maintained which are used to manage exposure to these counterparties. No provision for impairment has been made at the year end (2022: £nil) on the basis that balances are considered to be recoverable, other than that in respect of premium debtors disclosed in note 20. The Company's exposure to credit risk has been decreasing as the business has run off, with the exception of the specific MGA agreement that is subject to a 100% quota share arrangement covering all economic risk.

	AAA	AA	A	BBB	BB & below	Unrated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 September 2023							
Debt and other fixed income securities (note 18)	26,573	13,201	8,143	19,147	182	-	67,245
Cash at bank and in hand (note 21)	-	-	3,143	-	-	-	3,143
Financial assets	26,573	13,201	11,286	19,147	182	-	70,388
Reinsurers' share of technical provisions (note 19)	-	135,394	3,220	-	-		138,614
Debtors (note 20)	-	3,492	-	-		18,188	21,679
Accrued interest (note 17)						1,063	1,063
Other prepayments and accrued income (note 17)	-	-	-	-	-	1,416	1,416
	26,573	152,087	14,506	19,147	182	20,667	233,159

36. Risk management and control (continued)

Credit risk (continued)

	AAA	AA	A	BBB	BB & below	Unrated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 September 2022							
Debt and other fixed income securities (note 18)	30,833	16,282	9,987	21,082	160	-	78,344
Cash at bank and in hand (note 21)	-	-	17,432	-	-	-	17,432
Financial assets	30,833	16,282	27,419	21,082	160	-	95,776
Reinsurers' share of technical provisions (note 19)	-	178,507	2,000	-	-	1,934	182,441
Debtors (note 20)	-	36,804	-	-	-	64,814	101,618
Accrued interest (note 17)	515	100	117	422	49	-	1,202
Other prepayments and accrued income (note 17)	-	-	-	-	-	1,295	1,295
	31,347	231,694	29,536	21,504	209	68,043	382,332

The Company continues to invest in a portfolio containing Government, Corporate and Covered bonds.

Liquidity risk

Liquidity risk is the risk that the Company either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can only secure such liquid financial resources either at an excessive borrowing cost relative to that achieved in the recent past or that typically payable by a comparably rated borrower or through the sale of illiquid assets at a price significantly below the fair value of such assets in the recent past.

The Company maintains sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from all contingent events with a probability of occurrence of up to 1 in 200 years, as identified through stress and scenario testing and the annual planning process.

The Company has access to a £150,000k revolving credit facility provided by LVIC (note 34 i). The agreement with LVIC has been in force since September 2020 and expires on 31 December 2023 and will not be renewed. The balance on the credit facility as at 30 September 2023 was £5.6m (2022: £nil). The Directors have recently set up a new £30m intra-group overdraft facility to replace the expiring revolving credit facility. The facility forms part of a centralised cash pooling arrangement managed and operated by Allianz SE. This will be sufficient to cover the liquidity requirements arising from a 1 in 200 catastrophe event modelled in the stress and scenario testing exercise.

The Company's investment portfolio is entirely made up of highly rated government and corporate bonds. These assets are also considered to be appropriate sources of liquidity.

The following aspects of liquidity risk are relevant to the Company:

Projected market conditions cash flow risk
The risk that a change in the economy, market conditions or the business environment may change the size or timing of the financial obligations resulting in the need to increase its liquidity levels.

Cash flow timing risk
The risk that the actual timing of cash flows may vary to those projected. However, the nature, type and effect of timing differences will differ for those associated with insurance business funds.

Contingent liquidity risk
The risk from the occurrence of high impact events for which no provision has been made in liquidity forecasts due to the events having an extremely low probability of occurrence. Such events giving rise to contingent liquidity risk may include:
- External events, particularly those of a catastrophic nature, which may give rise to significant number of claims or policy withdrawals requiring settlement; and
- A significant failure in internal controls either resulting in direct financial loss or the need to pay redress to customers who may have suffered disadvantage as a result of failure.

Operational risk

The Company aims to implement cost-effective controls to reduce operational risk exposures. Control performance is monitored regularly and weaknesses or failures reported, with appropriate action plans. The Company's Executive Committee reviews operational risk exposures and controls bi-monthly.

Internal processes and customer service standards while carefully controlled and managed may fail or be impacted by external factors such as fraud or terrorist action giving rise to adverse customer reaction and a resultant loss to the Company.

36. Risk management and control (continued)

Sensitivity analysis

a) *Claims events*

The following tables show material sensitivities to claims events for the Company on pre-tax profit and equity, net of reinsurance. This analysis has been carried out prospectively taking into account the reinsurance the Company had in place from 1 October 2023 (2022: 1 October 2022). The Company's largest insurance risks were from weather catastrophe events and large subsidence events. The single 1 in 200 storm event sensitivity and subsidence event sensitivity look at the impact to the Company from these types of events occurring. In addition to large one-off events the Company were also exposed to an increase in frequency and severity of smaller events. The impact of this is explored through the increase in claims ratio sensitivity. The Company is also exposed to reserve risk where the actual claims are higher than expected. This is explored through the 5% surplus over net claims liabilities sensitivity.

	Impact on pre-tax profit net of reinsurance	Impact on equity net of reinsurance	Impact on pre-tax profit net of reinsurance	Impact on equity net of reinsurance
	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Sensitivity test				
Single storm event with 1 in 200 year probability	-	-	(6,142)	(4,975)
Subsidence event - worst claim ratio in last 30 years^	(2,704)	(2,109)	(2,380)	(1,928)
5% decrease in overall household claims ratio*	370	288	2,158	1,748
5% surplus over net claims liabilities	547	426	1,404	1,137

As at the 30 September 2023 there is no ongoing net exposure since policies have either fully expired or the MGA business is 100% reinsured. Therefore the single storm event scenario would no longer lead to any claims.

b) *Market conditions*

In addition to Insurance risk the Company is also exposed to Market risk through the investment portfolio it holds. The Company's investment portfolio is made up of bonds and cash and so the key risks the Company is exposed to are changes in interest rates and changes in credit spreads which will both result in market value fluctuations. The impact of these market risks on the Company's pre-tax profit and equity are explored in the following sensitivities.

^ Figures based on exposure as at the periods ended 30 September 2023 and 30 September 2022.

* 2023 figures in the table relate to the 12 months to 30 September 2023 and 2022 figures relate to the nine months ended 30 September 2022.

36. Risk management and control (continued)

Sensitivity analysis (continued)

2023 figures in the table below relate to the year ended 30 September 2023 and the 2022 figures relate to the nine months ended 30 September 2022.

	Impact on pre-tax profit 2023 £'000	Impact on equity 2023 £'000	Impact on pre-tax profit 2022 £'000	Impact on equity 2022 £'000
Sensitivity test				
100bps increase in interest rates	(1,192)	(930)	(1,787)	(1,447)
100bps increase in credit spreads	(1,250)	(975)	(1,283)	(1,039)

Capital

The Company's capital resources are measured and monitored on a regulatory basis and to comply with the minimum capital requirements. Following the implementation of the Solvency II regulatory regime, as adopted by the PRA, which came into force on 1 January 2016, capital resources are managed on a Solvency II basis. The regulatory capital requirement is determined using the Standard Formula.

The capital that the Company needs to hold above its liabilities to meet the Company's objectives and ensure continued solvency is assessed on a quarterly basis, and the results of these calculations are presented to relevant internal governance forums. Solvency ratios are disclosed in detail in the Company's Solvency and Financial Condition Report (SFCR) which can be found on the Allianz website: https://www.allianz.co.uk/about-allianz/our-organisation/financial-results.html. As at 30 September 2023 the Company held £23,450k (30 September 2022: £31,502k) of surplus eligible Own Funds above the SCR requirement, representing a regulatory capital coverage ratio of 306% (30 September 2022: 187%). This buffer of capital resources over the regulatory requirement ensures that the Company is able to more than meet its insurance obligations after a 1-in-200 year event. In line with its risk management approach, the Company maintained an appropriate capital buffer throughout the previous year and remain well above its risk appetite action level.

The risk appetite, which is set by the Board of Directors, sets out the Company's approach for managing own funds, target capital coverage ratios and actions to be taken when managing Own Funds. The Company aims to maintain an appropriate buffer of capital resources over the regulatory capital requirements and the internal liquidity targets. The capital coverage is projected over the business planning horizon. Solvency and liquidity levels are monitored on a monthly basis, and used to inform any dividend recommendations.