Liverpool Victoria Insurance Company

Solvency Financial Condition Report 2021

Introduction

Summary

This is the solvency and financial condition report ("SFCR") for Liverpool Victoria Insurance Company Limited ("LVIC", "the Company"). Publication of an SFCR is a mandatory requirement of the Solvency II Directive[1] for all insurance companies domiciled in the EU. Although the UK has left the EU, the PRA has adopted an equivalent approach. Solvency II, which entered into force on January 1, 2016, is a comprehensive updating of the way in which insurance companies in the EU are supervised by their local regulators.

The main Solvency II Directive is supplemented by further texts[2] which set out the required contents and structure[3] of the report. This introduction is intended to fulfil the requirement[4] that the SFCR should contain a clear and concise summary, which highlights material changes over the year.

Section A looks at the business and performance of LVIC during 2021. It starts with a section describing the legal structure of the Company and its place in the Group before covering the two main sources of the Company's profit – the underwriting of insurance and the investment of the capital held in order to pay future claims. LVIC reported a profit before tax for the year of £109m (2020: £80m). 2020 had a quota share arrangement of 20% and this increased to 40% in 2021 impacting the net results. The underlying result in 2020 benefited from lower Motor claims frequency due to the impact of the worldwide COVID-19 pandemic, which was seen to a lesser extent in 2021.

Section B looks at the System of Governance. This is the set of rules and processes by which the Company is managed. This section describes the ways in which LVIC ensures that its business runs effectively and in compliance with the regulations of Solvency II.

The Company's Board of Directors have overall oversight of the business, while day to day running is conducted by management. The actions of the managers take place within the confines of the System of Governance. Further details regarding the Board and its committees is provided in section B.1.

The section confirms that all the required components of the System of Governance are in place. These are:

· Assessment and remuneration policies, to ensure that managers have the skills and capability required to run the Company and that they are paid appropriately;

· Independent safeguarding functions, whose responsibility is to ensure that the managers of the Company understand and manage risks appropriately;

· A process, the Own Risk and Solvency Assessment, by which all risks facing the Company are assessed, managed and reported to the Board.

Finally, the section reviews how the Company relies on other companies to undertake some activities on its behalf. In Section B.7, the Company has outlined the most material outsourced activities.

Section C reviews the risks which LVIC faces. These are:
· Underwriting Risk
· Market Risk
· Credit Risk
· Liquidity Risk
· Operational Risk

Each kind of risk is covered in turn. The risk itself and the methods for understanding, managing and mitigating that risk are described, and any major concentration of that risk type is identified.

This section confirms that each risk type to which LVIC is exposed to is appropriately understood, managed and mitigated.

Section D reviews the balance sheet of LVIC. The balance sheet is the main mechanism by which the solvency of the Company, the amount of capital it has available to protect it and its policyholders against a shock, is assessed. This section describes

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[1] Directive 2009/138/EC, as amended by Directive 2014/51/EU, articles 51 – 56.

[2] Commission delegated regulation (EU) 2015/35, articles 290 - , Implementing Regulation (EU) 2015/2452

[3] See in particular Annex XX, Commission delegated regulation (EU) 2015/35

[4] 4 Article 292, Commission delegated regulation (EU) 2015/35

Summary continued

the methods used to value the items on that balance sheet in accordance with the Solvency II Directive and explains any significant valuation differences to the valuation applied in the preparation of the Annual Report and Financial Statements. The Company adopts the same recognition, measurement and valuation policies for IFRS purposes as the Group.

In section D.2 Technical Provisions are considered. Technical Provisions represent the current amount required to transfer insurance obligations immediately to another insurance entity. They include the funds the Company has put aside specifically to pay future claims, and so they represent the most important part of the balance sheet. They are also the most uncertain, as it is difficult to assess the funds required accurately.

Section E confirms that LVIC is able to withstand unexpected shocks according to the standards required by Solvency II regulations. Own Funds refers to the capital available within the Company for this purpose, and section E.1 describes how that capital is managed. It also confirms that the Own Funds are of appropriate quality and will be available if required.

The amount of Own Funds required by Solvency II is defined by the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The MCR is the level of Own Funds below which the Company cannot legally continue to trade, while the SCR is the minimum level treated as acceptable in normal circumstances by the Solvency II regime.

LVIC uses the Standard Formula to calculate its SCR. The capital surplus as at 31 December 2021 under the Standard Formula stood at £212m (2020: £293m), LVIC's Solvency ratio (that is, the percentage coverage of the SCR by Own Funds) is 161% (2020:178%). LVIC's MCR at 31 December 2021 amounts to £97m (2020: £160m).

The valuations reported within this report are based on information up to 31 December 2021. Therefore, based on the Company's interpretation of Article 77 (2) of the Solvency II Directive, the valuations and technical provisions including the premium provision reflect the ongoing impact of COVID-19.

Further information relating to the COVID-19 pandemic is included within sections A, B, C, D and E of the report.

Finally, the SFCR contains a Statement of Directors' responsibilities.

Statement of directors' responsibilities

Financial period ended 31 December 2021

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, Liverpool Victoria Insurance Company Limited has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

The Solvency and Financial Condition Report was approved by the Board of Directors on 6 April 2022 and signed on its behalf by:

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F K Dyson

Chief Financial Officer

Allianz Holdings and Director, Liverpool Victoria Insurance Company Limited

A. Business and Performance

A.1 Business

a) Name and legal form of undertaking

Liverpool Victoria Insurance Company Limited ('LVIC') is a UK-incorporated and domiciled company limited by shares, under company number 03232514.

Registered office
57 Ladymead
Guildford
Surrey
England
GU1 1DB

b) Name and contact detail of the supervisory authority responsible for financial supervision.

Firm's reference number: 202965

The Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') are responsible for the financial supervision of the company.

PRA
Address: 20 Moorgate
London
EC2R 6DA
Phone: 020 3461 7000

FCA
Address: 12 Endeavour Square
London
E20 1JN
Phone: 020 7066 1000

c) Name and contact details of the external auditor

The independent auditors are PricewaterhouseCoopers LLP

Address: 7 More London Riverside
London
SE1 2RT

d) Description of the holders of qualifying holdings in the undertaking

The Company is a wholly owned subsidiary of Allianz Holdings plc ('Allianz'). The ultimate parent company is Allianz SE ('AZ SE'), a global multinational financial services company headquartered in Munich, Germany.

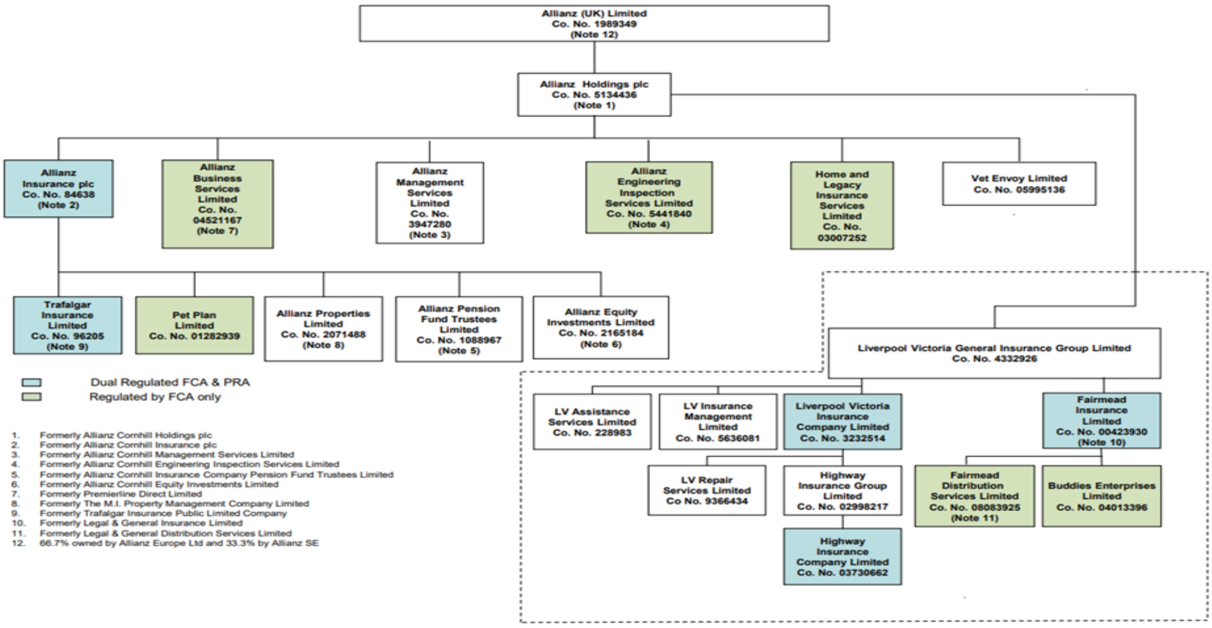
The immediate parent company is Liverpool Victoria General Insurance Group Limited ('LVGIG'), a limited liability company, incorporated in the UK.

A. Business and Performance continued

e) Details of the undertakings within the group

The structure chart below shows the Allianz UK Group as at December 2021.

Allianz (UK) Group Companies as at 31 December 2021



Listed below are the direct and indirectly held subsidiaries of Liverpool Victoria Insurance Company Limited.

Name	Incorporated and domiciled	Principal activity	Percentage of shares held	Type of shares held
Highway Insurance Group Limited	England and Wales	General insurance holding company	100% directly held	Ordinary
Highway Insurance Company Limited	England and Wales	General insurance	100% indirectly held	Ordinary
LV Repair Services Limited	England and Wales	Repair engineering services	100% directly held	Ordinary

f) Material lines of business and material geographic areas.

LVIC underwrites non-life insurance contracts within the UK.

LVIC conducts general insurance business through both the direct and broker distribution channels. The primary sources of premium income are from the sale of Motor insurance products and Home insurance products. Motor insurance products include Private Car and Motorcycle. LVIC also underwrites Road Rescue, Pet and Travel Insurance.

As such the following Solvency II non-life lines of business are written on either a standalone or bundled product basis:

- Motor vehicle liability insurance
- Other motor insurance
- Fire and other damage to property insurance
- General liability insurance
- Legal expenses insurance
- Assistance
- Medical expense insurance

A. Business and Performance continued

g) Significant business or other events occurring during the reporting period that have a material impact on the undertaking.

Acquisition of Legal and General Insurance Limited

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

Prior to being acquired, Fairmead was the 7th largest Home insurance provider in the UK with more than 2 million customers using various distribution channels including Direct, Brokers, Managing General Agents (MGA's) and Independent Financial Advisors ('IFA's').

Towards the end of 2020, the Company went live via a small number of Brokers with a new Home offering. In addition, Home Legal and Home Emergency business has been written by the Company's subsidiary Highway Insurance Company Limited ('HICO'). In 2021, we commenced our migration to Liverpool Victoria Insurance Company (LVIC) with some existing direct customers of Fairmead invited to start their policies with the Company.

Business and Performance

Net earned premium has decreased by 26% largely reflecting the change in QS arrangement. The Quota Share reinsurance arrangement entered into with Allianz Re has been renewed for 2021 on a 40% basis, up from 20% in 2020. This new contract has changed in nature, whereby 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"). Instead a deposit is retained by the Company, there is no longer a profit share element and the reinsurer bears' a greater share of the expenses.

The Company has maintained good underwriting and pricing discipline and continued its strategy of pursuing long term profitable growth in Home lines helping to diversify its reliance upon Motor. Net claims have decreased by 20% reflecting the QS arrangement and reduced NEP mentioned above. During 2021, the Company continued to experience reduced motor frequencies which has been slightly offset by a few large motor claims.

The table below shows the underwriting result as mapped per the QRT S.05.01 reconciled down to the total of Other Comprehensive Income.

LVIC (£m)	**2021**	**2020**
Net earned premium	688	931
Net claims incurred	(441)	(548)
Expenses incurred	(185)	(264)
Net underwriting result	**62**	**119**
Net investment income	27	63
Other income	54	60
Impairment of investment in subsidiaries	0	(137)
Other expenses	(34)	(25)
Profit before tax	109	80
Tax	(15)	(37)
Profit after tax	**94**	**43**
Other comprehensive Income	(41)	18
Tax on Other Comprehensive Income	9	(4)
Total comprehensive income	**62**	**57**

All income statement numbers presented in Section A are based on the IFRS Financial Statements adjusted for certain presentational adjustments made in the QRTs. Profit before tax is the same under both presentations.

A. Business and Performance continued

A.2 Underwriting performance

All business is underwritten in the UK and the following provides an analysis of the underwriting income and expenses for 2021 in addition to a comparative for 2020.

LVIC - 2021 Actual Underwriting Result (£m)	**Motor vehicle liability insurance**	**Other motor insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Legal expenses insurance**	**Assistance**	**Medical expense insurance**	**Total**
Net earned premiums	334	199	91	1	18	43	2	688
Net claims incurred	(221)	(132)	(64)	(1)	(1)	(22)	(0)	(441)
Expenses incurred (excluding investment management expenses)	(92)	(55)	(26)	(0)	(3)	(9)	(0)	(185)
Underwriting result	**21**	**12**	**1**	**(0)**	**14**	**12**	**2**	**62**

Claims Ratio	66.2%	66.3%	70.3%	100.0%	5.6%	51.2%	0.0%	64.1%
Expense Ratio	27.5%	27.6%	28.6%	0.0%	16.7%	20.9%	0.0%	26.9%
Combined Ratio	93.7%	94.0%	98.9%	100.0%	22.2%	72.1%	0.0%	91.0%

LVIC - 2020 Actual Underwriting Result (£m)	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Medical expense insurance	Total
Net earned premiums	491	236	119	1	25	54	5	931
Net claims incurred	(278)	(135)	(98)	(2)	(2)	(29)	(4)	(548)
Expenses incurred (excluding investment management expenses)	(142)	(68)	(38)	(0)	(4)	(11)	(1)	(264)
Underwriting result	**71**	**33**	**(17)**	**(1)**	**19**	**14**	**0**	**119**

Claims Ratio	56.6%	57.2%	82.4%	200.0%	8.0%	53.7%	80.0%	58.9%
Expense Ratio	28.9%	28.8%	31.9%	0.0%	16.0%	20.4%	20.0%	28.3%
Combined Ratio	85.5%	86.0%	114.3%	200.0%	24.0%	74.1%	100.0%	87.2%

LVIC - 2021 versus 2020 Actual Underwriting Result Variances (£m)	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Medical expense insurance	Total
Net earned premiums	(157)	(37)	(28)	(0)	(7)	(11)	(3)	(243)
Net claims incurred	57	3	34	1	1	7	4	107
Expenses incurred (excluding investment management expenses)	50	13	12	0	1	2	1	79
Underwriting result	**(50)**	**(21)**	**18**	**1**	**(5)**	**(2)**	**2**	**(57)**

A. Business and Performance continued

The ratios have been calculated as follows:

- Claims ratio = Net claims incurred ÷ Net earned premiums
- Expense ratio = Expenses incurred ÷ Net earned premiums
- Combined ratio = (Net claims incurred + Expenses incurred) ÷ Net earned premiums

Market conditions have remained very competitive, particularly in the motor market. Rate reductions in Direct Motor in response to continued market softening helped to stabilise policy volumes. Overall the Company saw a decrease in premium written on a continuing basis by 1.2% driven almost entirely by reductions in rate on Motor. The Home portfolio has seen strong retention rates in 2021, including the first tranche of Fairmead Direct Home customers starting their policies during the year. Throughout 2021, the Company has maintained good underwriting and pricing discipline and continued its strategy of pursuing long term profitable growth in Home lines helping to diversify its reliance upon Motor.

The Company's underwriting result decreased during 2021, with the combined ratio deteriorating from 83% to 88%. During 2021, the Company continued to experience reduced motor frequencies which has been slightly offset by a few large motor claims. 2021 COVID frequency benefits were however to a lesser extent than those seen in 2020. Underlying vehicle repair costs continue to increase due to inflation and increasing supply chain costs due to COVID-19 and the ongoing additional complexity of the technology. On the Home portfolio there has been benign weather experience over the year slightly offset by a number of large property and liability claims alongside elevated subsidence frequency from the first half of the year.

LVIC has maintained strong cost disciplines through controlling acquisition costs and operating expenses. Investment in staff, systems, marketing and infrastructure has continued to ensure that the Company is well placed to deliver its profitable growth strategy. During the year the Company incurred restructuring costs of £31.1m in relation to the transfer of the Fairmead Home business to LVGIG.

At the end of 2020 the Company reviewed the value of its investment in the subsidiary company, Highway Insurance Group Limited ('HIG'). The value of HIG had been held at initial cost since purchase and including a subsequent capital injection, had a carrying value of £332m. The review of the Net Asset Value ('NAV') over that initial cost indicated the need to complete an impairment assessment. The Company has relied upon the value in use method and impaired the value of the underlying subsidiary, HIG by £137.4m. As at year end 2021, the value in use for HIG remained higher than the written down purchase price, therefore no further impairment was required.

During the year, the Company invested in significant restructuring costs in relation to the acquisition of the Fairmead Home business. These costs are reported within other expenses and consisted of:

- redundancy costs for roles that will leave through to early 2023,
- building new products, and
- setting up processes for the transfer of Personal Lines customers to the LVGIG underwriters LVIC and HICO.

The first transfers started towards the end of 2020 and continued throughout 2021 and to 2023

A.3 Investment performance

The following table summarises the income and expenses with respect to investment activities:

	2021 **£m**	2020 £m
Dividend income	**14**	24
Interest income	**13**	16
Realised gains/(losses)	**2**	24
Investment expenses	**(2)**	(1)
Total Investment Performance	**27**	63

The continued low underlying interest rate environment resulted in lower interest income. Dividend income decreased in 2021 which relates to dividends received from participations of £10m (2020: £21m).

A. Business and Performance continued

The following tables summarise the undertaking's overall investment performance by relevant asset class:

2021 Asset class (£m)	**Dividends**	**Interest**	**Realised / Unrealised gains / (losses)**	**Total**	**Average investment holding during 2021**	**Average investment return**
Government bonds	**-**	**2.6**	**(26.6)**	**(24.0)**	**403.7**	**-5.9%**
Corporate bonds	**-**	**9.7**	**(9.1)**	**0.6**	**857.8**	**0.1%**
Equity	**11.9**	**-**	**0.0**	**11.9**	**205.5**	**5.8%**
Collective investment undertakings	**2.6**	**-**	**(2.8)**	**(0.2)**	**93.9**	**-0.2%**
Collateralised securities	**-**	**0.6**	**(0.5)**	**0.1**	**27.5**	**0.4%**
Loans and mortgages	**-**	**0.1**	**-**	**0.1**	**81.1**	**0.1%**
Cash and deposits	**-**	**-**	**0.0**	**0.0**	**23.9**	**0.0%**
Total	**14.5**	**13.0**	**(39.0)**	**(11.5)**		
Less investment expenses				**(2.3)**		
Net total				**(13.8)**		

2020 Asset class (£m)	Dividends	Interest	Realised / Unrealised gains / (losses)	Total	Average investment holding during 2020	Average investment return
Government bonds	-	2.4	18.0	20.4	309.3	6.6%
Corporate bonds	-	12.9	16.2	29.1	955.1	3.1%
Equity	21.7	-	(17.7)	4.0	222.4	1.4%
Collective investment undertakings	2.4	-	7.6	10	93.2	10.7%
Collateralised securities	-	0.2	0.3	0.5	17.4	2.9%
Loans and mortgages	-	0.6	-	0.6	41.7	1.4%
Cash and deposits	-	0.1	-	0.1	43.5	0.2%
Total	24.1	16.2	24.4	64.7		
Less investment expenses				(1.6)		
Net total				62.1		

A. Business and Performance continued

A.4 Performance of other activities

The following items have been identified as material income and expenses, other than underwriting or investment income and expenses:

	2021 £m	2020 £m
Other income	53.7	60.0
Impairment of investment in subsidiaries	-	(137.4)
Other expenses	(34.9)	(24.6)
Tax (charge)	(15.0)	(37.5)
Total	**3.8**	**(139.5)**

Other Income includes £31m (2020: £32m) of interest amounts charged to policyholders who pay for their general insurance on a monthly basis compared to fully paying for the insurance at the time of purchase. In addition, there is a further £9.5m by way of cancellation fees, or for administration fees for mid-term adjustments.

Other income also includes a £13m (2020: £19m) profit share relating to the quota share arrangement. In 2021, LVIC ceded 40% of the business to Allianz Re under the terms of the new contract explained above any profit share will relate to historic cohorts.

The tax charge is calculated based on the IFRS profits and losses reflecting the underwriting performance, investment performance and tax-deductible movements on intangible assets. In addition, deferred tax is recognised on timing differences relating to capital allowances in excess of depreciation and any tax losses carried forward. A deferred tax liability in relation to Intangible Assets exists where the IFRS accounts value is greater than the tax written down value. Offset against this deferred tax liability is the deferred tax asset relating to capital allowances in excess of depreciation. Deferred tax assets and liabilities can be offset where there is a legal right of offset when the taxes involved are levied by the same taxation authority, as is the case here.

Where a tax loss arises, the tax loss is carried back against any tax paid in the previous period. Any remaining loss is carried forward and Board approved business plans are required to evidence and support the future recovery of the deferred tax asset by the utilisation of future available taxable profits.

A.5 Any other information

The valuations reported within this report are based on information known up to 31 December 2021. Therefore, the valuations and technical provisions including the premium provision reflect the ongoing impact of COVID-19.

The global pandemic was a continued source of uncertainty for the business for part of 2021. The LVGIG Group continued to monitor the situation with close alignment and interaction within Allianz to ensure the Company benefited from the wider Allianz perspective. Our values guided our decision making as the Company continued to work through this challenging time, with a focus on putting our people first and our customers at the heart of what we do. The key risks remained both operational and financial which the Company still actively monitors and manages on a regular basis, as it has done throughout the last 2 years. Consistent communications have and are continuing to take place across the organisation to keep all colleagues informed. The risks subsided during 2021, as the UK vaccination programme was rolled out and allowed businesses including Allianz to briefly return to partial office working within a Covid-19 secure environment.

LVGIG continues to align its approach to the guidance of the UK Government as well as benefitting from Allianz Group guidance given LVGIG is now a 100% owned subsidiary of Allianz.

The solvency ratio as at 31 December 2021 is 161% (2020: 178%). LVIC is expected to continue to have funds available in excess of the regulatory requirements without needing to take contingency action.

B. System of Governance

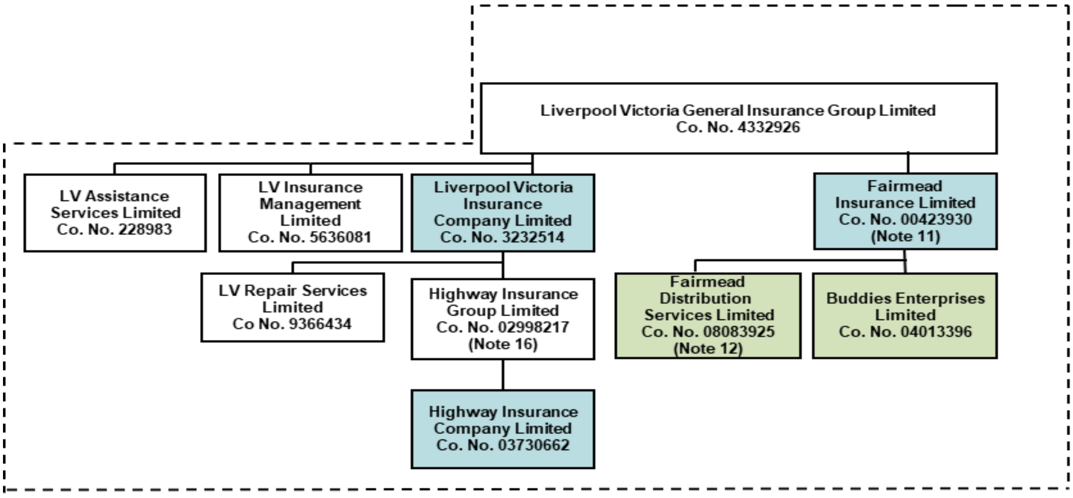
B.1 General information on the system of governance

The following disclosure provides information which addresses Guideline Article 308 (1)

The system of governance for LVIC is aligned to the approach applied across Liverpool Victoria General Insurance Group Limited (LVGIG) which is a subsidiary of Allianz Holdings plc ("Allianz"). Therefore, the following section sets out details on the Allianz and LVGIG approach together with how this is applied in the context of LVIC.

Extract of LVGIG Corporate Structure Chart

The following illustration shows the LVGIG corporate structure and how LVIC fits into LVGIG:



The Allianz Holdings plc Board is the statutory board for LVGIG and therefore LVIC.

Liverpool Victoria General Insurance Group Ltd (LVGIG) and all of its subsidiary companies are collectively referred to as the "GI Group". Liverpool Victoria Insurance Company Ltd (LVIC) and Highway Insurance Company Ltd (HICO) are deemed to be the insurance operating entities, with LV Insurance Management and LVGIG as management services companies for the Group.

LVIC and HICO are collectively administered from the Allianz Holdings plc Board. The authority of the Allianz Holdings plc Board is stated in the Allianz Holdings plc Board Terms of Reference. All matters not reserved to the Shareholders, this Board or that have been delegated to an executive management committee or the GI Board sub-committee, are delegated to the GI CEO, who may then elect to delegate this authority, whilst always retaining responsibility and oversight of such delegated authority.

System of Governance
Solvency II legislation requires the System of Governance be subject to regular internal review. The Company conducts this review annually and it is intended to be a consolidated cross-functional assessment of elements of the System of Governance through all relevant sources for evaluation. Entity level control assessment testing forms part of the review, and is carried out by the Internal Audit department. Adequacy assessment of certain System of Governance elements, as selected by the Allianz SE Group, are also reviewed. There was were four material observations in the 2021 System of Governance review that are relevant to report back to Allianz SE Group, these were:

1. Governance Effectiveness Review – Focusing on work arising from a Board Effectiveness Review;
2. Alignment - Integration activity of the Liverpool Victoria General Insurance Group Limited (LVGIG) Group into Allianz UK including, but not limited to, organisational changes as a result of combining the businesses;
3. Group IT changes – Group driven IT changes and impacts on IT governance (e.g. operational resilience due to changes in underlying IT controls), and the potential further outsourcing of IT systems/processes;
4. Delegated Authority – review and alignment of existing Delegated Authority arrangements in different business areas and across the expanded group to ensure consistency.

B. System of Governance continued

1. Boards and Committees

The Company leverages the governance structure of Allianz, and the Allianz Group. The Boards of the Company, LVGIG and Allianz have the same Directors.

As at 31 December, 2021, the Board of the Company consisted of eight directors, made up of an independent non-executive Chair, five non-executive Directors and two executive Directors. Up until 30 November 2021 there were three executive Directors on the Board. However, there are changes in progress, which will result in a change to the number of Directors on the Board of Allianz and the Company. On 30 November 2021, Jon Dye resigned as a Director of the Company and Allianz and CEO of Allianz. Colm Holmes was appointed on 22 February 2022, as an executive Director of the Company and Allianz and the CEO of Allianz. In addition, in July 2021, there was a strategic restructuring of the operations of Allianz to create distinct Allianz Personal and Allianz Commercial businesses, supported by a number of integrated service functions (the “Restructure”). Following the Restructure, Simon McGinn (the new Allianz Commercial CEO) was appointed as an additional executive Director of the Company and Allianz. Both of these appointments are pending regulatory approval. Once regulatory approval is received and the appointments are made, there will be four executive Directors of the Company. The other executive Directors on the Company’s Board are the CEO of the Allianz Personal business (who was previously the CEO of LVGIG Group) and the Chief Financial Officer of Allianz.

The Allianz Board is responsible for deciding the business strategy and for ultimate oversight of the conduct and performance of the Group as a whole. It is also responsible for the external reporting of the Group. The Board of the Company considers the Group strategy and develops the strategy of the Company, monitors its performance and has oversight of the conduct of the Company. The Board of the Company considers the external reporting of the Company.

The Board’s role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company’s strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board sets the Company’s purpose, strategy, culture, values and standards and ensures that its obligations to stakeholders and others are met. The Board is responsible for reporting to and maintaining appropriate relationships with the Company’s regulators.

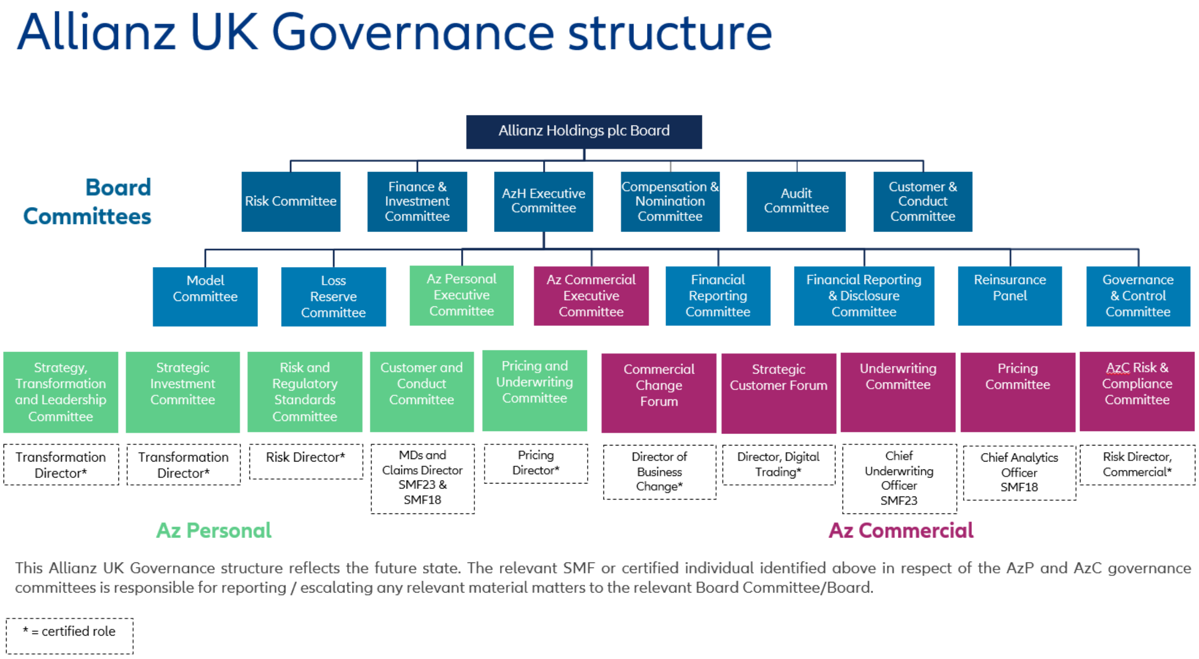
In addition, there are matters specifically reserved for the attention of the Allianz Board which are detailed in the Terms of Reference (and these incorporate Finance & Investment Committee investment transaction limits, above which Allianz Board approval will be required).

In its deliberations, the Board shall have regard to any relevant conduct risk issues/implications.

The Terms of Reference, formal records, meeting packs, minutes and member information for the Company’s Board are kept by the Company Secretary.

B. System of Governance continued

Allianz Holdings plc Board Committees



The Allianz Holdings plc Board has established a number of committees (the "Committees") and a system of internal control to ensure the efficient and effective operation of the Group's businesses. The Committees are responsible for oversight of their subject matter on behalf of the Company and other subsidiaries in the Group. The Company's Board is satisfied that the governance structure is appropriate and that the Committees effectively consider matters on behalf of the Company. There is also an Allianz Personal Executive Committee, led by the Allianz Personal CEO, which oversees the day to day leadership and management of the Allianz Personal business including the business of the Company. The Allianz Personal Executive Committee reports into the Allianz Executive Committee.

Audit Committee

The Audit Committee is responsible for the oversight of policies and procedures relating to internal control and financial/regulatory reporting, to ensure the independence and effectiveness of internal and external audit functions and the integrity of financial and narrative statements for the Company. The Committee is responsible for highlighting such matters that may require attention by the Company's Board, the Board of Allianz or by the Allianz SE Group. Membership of the Committee comprises an independent non-executive Director, who acts as Chair, and at least two other members who must be independent non-executive Directors.

Compensation and Nomination Committee

The Compensation and Nomination Committee is responsible for oversight of all compensation and nomination matters relating to executives and employees of the Group (whether employed by LVGIG or another Group subsidiary). The Committee's responsibilities include the design, governance and operation of the Group's compensation system; identifying local risk takers and to control their compensation according to applicable regulations; reviewing the size, structure, and composition of the Board; identifying non-executive Director candidates when vacancies arise; reviewing the leadership needs of the organisation; and reviewing gender pay gaps and diversity and inclusion matters. The Committee is responsible for highlighting matters that may require attention by the Company's Board, the Allianz Board or Allianz SE Group. Membership of the Committee comprises an independent non-executive Director who acted as Chair and at least two other members who must be independent non-executive Directors. For part of the year the Chief HR Officer was a member of the Committee, however this role is no longer part of the membership.

No senior management appointment is made without the applicant undertaking a comprehensive assessment to determine the level of his or her management skills. The Committee also reviews any Board performance evaluation process and recommendations.

B. System of Governance continued

Board Risk Committee
The Risk Committee is responsible for oversight of risks, both current and emerging, the links between different risks, the Enterprise Risk Management Framework within which the Company manages those risks, and the activities of the Risk department. The Committee is also responsible for highlighting any risk issues that may require attention by the Company's Board, the Board of Allianz or Allianz SE Group. Membership of the Committee comprises a non-executive director who acts as chair and at least three other independent non-executive Directors.

Finance and Investment Committee
The Finance and Investment Committee has responsibility for oversight and management of the investment portfolios of the Group (including the Company's portfolio) and for overseeing their investment-related risks. The Committee also has responsibilities concerning, and reports by exception on, investment risk matters to the Risk Committee. In addition to its investment portfolio responsibilities, the Committee's objectives include overseeing the planning and development of the Group asset allocation and investment income, overseeing the Group capital structure and liquidity position, and approving individual investment transactions with significant impact for companies within the Group. Membership of the Committee comprises the Allianz CEO as Chair, the Group CFO who acts as Deputy Chair, the Group Chief Investment Officer ("CIO") and the Regional CIO of Allianz Investment Management SE, an independent non-executive Director of the Company, the CEO of Allianz Personal (previously CEO of LVGIG), the CEO of Allianz Commercial and the Deputy CFO of the Group (previously CFO of LVGIG). The composition of the Committee changed during the year following the Restructure, when the roles of Allianz Commercial CEO was added as an additional member.

Customer and Conduct Committee
The Customer & Conduct Committee is responsible for oversight of material customer and conduct matters both current and emerging, including reviewing matters from a customer impact perspective. The Committee is responsible for highlighting such matters that may require attention by the Company's Board, the Board of Allianz or by the Allianz SE Group. Membership of the Committee during the year comprised an independent non-executive director who acted as Chair, at least three other members who must be independent non-executive Directors and one of whom must be the Risk Committee Chair. In addition, the Chief Executive Officers ("CEO") of Allianz and LVGIG were members of the Committee. During 2021, following the Restructure, the executive members of the Committee comprised the CEO of Allianz, the CEO of Allianz Personal (formerly the CEO of LVGIG) and the CEO of Allianz Commercial.

Allianz Loss Reserving Committee
This committee is a sub-committee of the Allianz Executive Committee and the responsibilities of this Committee are to:
- Consider a presentation on the results of the actuarial reserving analyses. This presentation will include actuarial best estimate reserves. These will be shown by line of business and accident year wherever relevant. Uncertainties will be highlighted and discussed.
- Consider any issues raised or reported on by other committee members which might affect loss reserves.
- Consider whether any further reserve-related investigations are required, either in respect of the current quarter or for future consideration.
- Recommend to the Executive Directors the loss reserves to be included in the company's quarterly financial statements.

<u>Allianz Personal Executive Committees</u>
GI Executive Committee
This Committee is an Advisory, and Information Sharing committee to:
- Assist the GI CEO in the exercise of his general authority to manage the LV= General Insurance Business, including his responsibility for decision making and overseeing performance delivery, with particular reference to the on-going programme of strategic projects and initiatives;
- Keep all members of the Committee up to date on:
  - Current trading performance and financial results
  - Change agenda and progress
- Discuss:
  - Risk, Compliance and conduct
  - Strategic focus
  - Financial and Investment performance

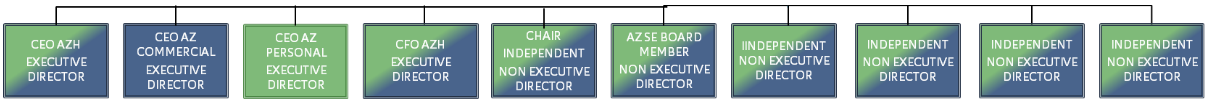
The CEO of Allianz Personal and other executives have approved a number of management committees to assist in the discharge of their accountabilities. The main committees are listed below;

- Strategy, Transformation and Leadership Committee
- Strategic Investment Committee
- Risk & Regulatory Committee
- Customer and Conduct Committee
- Pricing & Underwriting Committee

B. System of Governance continued

2. Defined Roles and Responsibilities

The controlled functions for the Allianz Holdings plc Board are shown in the diagram below.



Members of the Allianz Personal Executive with responsibilities for LVIC are listed below:

Chief Executive Officer Allianz Holdings
This person is responsible for developing and delivering the overall vision, strategy and direction of Allianz Holdings, including LVIC as part of Allianz Personal and ensuring that the agreed strategic direction is embedded in the current financial year and future year business plans. This person is the Key Function Holder for effectively running the firm and for managing the regulatory, risk and control requirements of LVIC.

Chief Executive Officer Allianz Personal
Reporting to the Chief Executive, Allianz Holdings plc this person is responsible for developing and delivering the overall vision, strategy and direction of LVIC and ensuring that the agreed strategic direction is embedded in the current financial year and future year business plans. This person is the Key Function Holder for effectively running the firm and for managing the regulatory, risk and control requirements of LVIC.

Chief Financial Officer Allianz Holdings
Reports to the Allianz Holdings Chief Executive Officer this person has overall responsibility for financial analysis and planning and recommending strategic plans for Allianz Holdings. This includes applying the Group's framework, standards and policies to actuarial reserving, overseeing and reporting on the relationship with the firm's investment managers, and managing the regulatory, risk and control requirements within the Allianz Holdings Shared Finance service. This person is a Key Function Holder for Finance, Investments and for effectively running the firm.

Standard Formula and Internal Model

The LVGIG regulated entities (LVIC and HICO) remain on a Standard Formula basis. LVGIG has begun the process of adopting the Allianz Group Internal Model, which will require local approval from the PRA before it can be used for regulatory purposes.

The LVGIG Capital Modelling team work closely with the Allianz Capital Modelling team to:

- Ensure that the LVGIG data inputs into the Group SCR calculation are complete and accurate.
- Understand the structure of the Allianz Internal Model, in particular the Insurance Risk components. These are calibrated locally (UK), with other components calibrated at Group level, e.g. Market Risk. LVGIG have developed its calibrations in a consistent manner to Allianz UK.

B. System of Governance continued

B.2 Fit and proper

The approved persons performing key functions as per the financial services register at 31 December 2021 were as follows:

Steve Treloar	Chief Executive
Fernley Dyson	Chief Finance
Heather Smith	Chief Underwriting Officer
Mike Crane	Chief Underwriting Officer
Julie Harrison	Other Overall Responsibility
Martin Milliner	Other Overall Responsibility
John Berry (Awaiting regulatory approval)	Chief Risk Officer
Philip Singh (Awaiting regulatory approval)	Chief Actuary
Gavin Drescher	Chief Operations
Christian Dinesen	Chair of the Audit Committee
Matthew Cox	Chief Internal Audit Officer
Paul Evans	Chair
Denise Larnder	Chair of the Risk Committee
Rosanne Murison	Chair of the Remuneration & Nomination Committees, Senior Independent Director
Christopher Townsend	Group Entity Senior Manager
Margo Young	Compliance & Money Laundering
Simon McGinn (Awaiting regulatory approval)	Executive Director
Colm Holmes	Group Entity Senior Manager

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

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

- Criminal proceedings or investigations against them or any firm over which they have held influence;
- Civil proceedings and bankruptcy orders or liquidation or similar proceedings against them or any firm over which they have held influence;
- Disciplinary proceedings or findings against them;
- Regulatory proceedings or findings against them or any firm over which they have held influence;
- Compliance with procedures concerning personal account dealings in Allianz SE and other securities; and
- Potential or actual conflicts of interest.

B. System of Governance continued

B.3 Risk management system

Risk Strategy

Principles for Risk Strategy
Taking risk and management of capital is the core business of LVGIG. The goal of Risk Management is to support and improve the business and decision-making process by embedding risk awareness across the organisation.

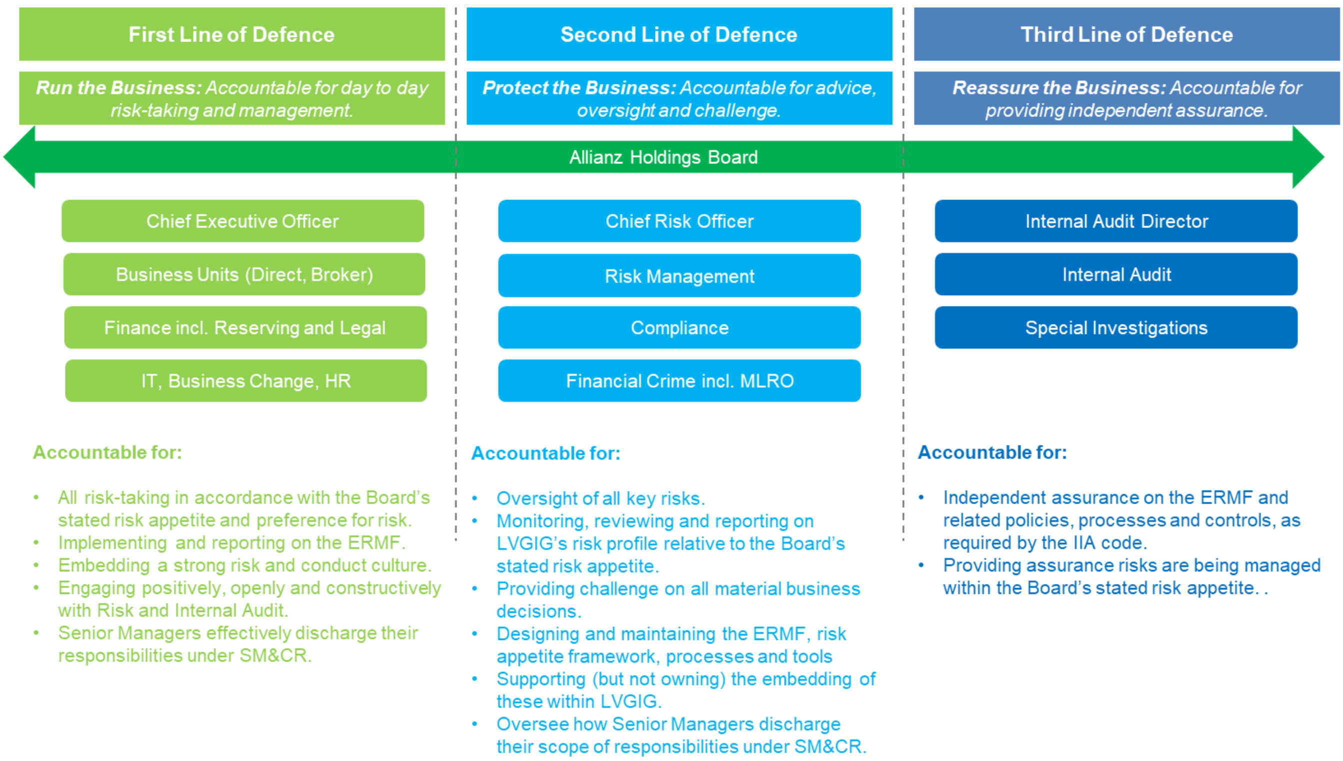
We integrate strategy, business and risk planning to align strategic and business goals with the Board's risk appetite. A major part of the risk strategy is the definition of risk management objectives that support an appropriate risk and capital balance.

The Allianz Holdings Chief Risk Officer (CRO) and Allianz Personal Risk Director have defined the following risk principles:

- Risk Management is an integral part of performance management.
- The risk strategy is an integral part of the business strategy.
- The strategic and business planning process is supported by the Own Risk and Own Risk and Solvency Assessment (ORSA) results, e. g. balance sheet projection and risk assessment.
- Available capital, required capital and risk appetite are considered in strategic and business decision-making.
- Solvency Capital Ratio (SCR) and Capital Coverage Ratio (CCR) are the basis to allocate capital to business units risk types and set limits.
- The Risk Function own the risk management framework – the business segments are required to have an effective risk management in place that follows the Risk Functions requirements.
- Requirements from a regulatory perspective must be complied with at all time.
- Management compensation within the business does not set incentives contradictory to the risk strategy.

Approach to Risk Management Risk Governance

Risk Management activity is an enabler for the business achieving its goals. The businesses approach to risk management is based on the Three Lines of Defence Model. The structure and accountabilities within the Three Lines of Defence Model are outlined below:



The Risk Function develops and directs the implementation of the Enterprise Risk Management Framework (ERMF), monitors compliance with this framework and escalates material breaches to the Board. However, accountability for managing risk and implementing the ERMF resides with the First Line.

B. System of Governance continued

All material Insurance, Market, Credit, Business, Operational (including Reputational) risks are captured within LVGIG SCR calculations.

Liquidity Risk represents a material risk, albeit this is managed through a robust framework that ensures the business maintains adequate liquid assets to cover its liabilities, including under a stressed scenario. Capital is therefore not held against this risk.

Emerging and Strategic risks are those that may impact the way the business operates in future, and therefore do not reflect immediate risks to the existing operating model, as per those included in the SCR.

B.4 ORSA process

Following the Allianz UK restructure in the second half of 2021, the Allianz Personal and Commercial Risk Teams have worked to align the ORSA process and output for both businesses. However, as the ORSA are produced by legal entity, they will continue to be LVGIG and Allianz Insurance ORSA reports.

The ORSA is a continuous process by which LVGIG assesses whether its capital appropriately reflects its risk profile. The process culminates in the production of the annual ORSA report by the Risk Management Function.

The ORSA process relies on inputs from various business functions and processes, such as business planning, risk management, finance and capital. The Risk Management Function should be able to rely on the results of such processes. This includes trusting that policies have been followed and exercises have been conducted to a high standard. As such, the success of the ORSA process is a reflection of how embedded the process is within and level of engagement from the business.

The ORSA report will be provided to the Allianz Holdings Board Risk Committee in February 2022 and the Allianz Holdings Board in March 2022 for review and approval, before being sent to the PRA.

The LVGIG ORSA is an ongoing process by which and the Allianz Holdings Board assess the respective risk and solvency positions both now and in the future; in making this assessment the ORSA considers the current and forecast business performance, risk profile and capital surplus. When the ORSA process is referenced, all of the risk management activities (whether BAU or one-off) are included. The ORSA is forward-looking, in that it considers the current LVGIG business and risk profile as well as the outlook for the plan and any anticipated external influences. The ORSA process provides this assessment under different scenarios relative to the company's appetite for risk and considers risk and solvency both from an economic view and by applying the regulatory requirements, should there be a material difference.

The ORSA process is an iterative cycle of activities. Each activity comprises a number of established processes within Allianz Personal. For example, Risk Identification and Assessment activity is supported by: the regular identification and review of the principal risks; regular updates to the capital model and current/projected capital position; and product pricing reviews.

The ORSA Process involves a number of steps where senior management input is necessary. Iterating through these steps ensures that the ORSA features in business decisions.

The output of these processes is reported within regular MI and committee papers. ORSA activity takes place throughout the year, with Quarterly and Annual ORSA Reports considered by the GI Risk & Compliance Committee, the Allianz Holdings Board Risk Committee and Board.

At least annually, a full ORSA is undertaken, providing a current and forward-looking assessment of LVGIG'S risk, capital and solvency position. Outside of the Business Planning cycle, and at the request of the Allianz Holdings Board or Board Risk Committee, an ORSA may be required. This will generally be when specific conditions are triggered, such as a change in risk profile.

The ORSA Report is a mandatory output of the ORSA process and must be produced whenever a full ORSA has been completed. It must consolidate the key outputs of each of the ORSA components into a single report, which provides the Allianz Holdings Board and management with a holistic, current and forward-looking assessment of LVGIG's risks, capital and solvency. It must be drafted and presented to the Allianz Holdings Board Risk Committee and Board so that the key findings, conclusions and recommendations drawn from the ORSA can be understood and acted upon in the consideration of business strategy, planning and implementation. This will include highlighting any specific points which should be brought to the Allianz Holdings Board Risk Committee and Board's attention.

The ORSA is an integral part of LVGIG's risk and capital management system, and encompasses all of the activities that management must perform in considering LVGIG's risk, capital and solvency assessment on both a current and forward-looking basis, over the business planning horizon.

B. System of Governance continued

The Allianz Holdings Board of Management is responsible for ensuring that the principles of the ASORSA are met. These are outlined below:

- **The ORSA is a forward-looking assessment of capital adequacy**

The ORSA is a comprehensive assessment of all risks inherent to the business in order to determine whether current and future capital will be sufficient to ensure ongoing solvency against these risks. It goes beyond the determination of capital needs provided solely through application of risk capital models by additionally considering stress scenarios, model limitations and other non-modelled risks and how these risks translate into capital needs or are otherwise mitigated.

- **The ORSA supports business decisions**

The ORSA draws upon the entire risk management system in order to conclude on capital adequacy and ensure consideration of risks and capital needs form an integral part of the business decision making processes of the company. Performance of the ORSA is realized by a regular comprehensive annual assessment of overall solvency needs and preparation of a corresponding report, as well as execution of a non-regular (ad-hoc) assessment following significant changes in the risk profile.

- **The Board of Management is an active participant in the ORSA**

The Board of Management plays an active role in the ORSA. This participation entails not only understanding and approving the outcome of the ORSA, but also steering how the assessment is to be performed, challenging the results and reflecting the results in planned management actions.

The Allianz Personal Risk and Regulatory Standards Committee (APRRSC) meets monthly and is responsible for assisting the Allianz Holdings ExCo in meeting these principles. APRRSC is formed of executives collectively acting as Principle Risk Owners for all risks within the risk taxonomy (each risk is owned by a single accountable PRO). The LVGIG ORSA is an on-going process with quarterly, annual and ad-hoc reporting feeding directly into APRRSC to facilitate integration into executive decision-making and management processes.

B.5 Internal control system

To ensure an effective internal control system, all functions cooperate to exchange necessary information and advice. Second and third-line functions maintain open lines of communication with first-line functions, and regularly attend key committees at all levels.

With specific regard to the integrity of financial reporting, the Risk function oversees the operation of a process of internal control via the Integrated Risk and Control System ("IRCS"). Under IRCS, processes relevant for financial reporting are tested by first-line management and discussed with the Risk function. Internal Audit tests the operating effectiveness of entity level controls. Senior managers across the organisation, culminating in the CFO and the CEO, are held accountable for the effective design and performance of processes within their span of control. The IRCS process, including the reporting of deficiencies and their remediation, is monitored by the Audit Committee.

Compliance Function

- Compliance is a key function within the Internal Control System of the Group. The function's primary responsibilities and activities are:
- To support and monitor compliance with applicable law, regulations and administrative provisions to protect the Company against compliance and conduct risks.
- To advise senior management, committees and the Board on compliance with laws, regulations and administrative provisions adopted pursuant to the Solvency II Directive.
- The activities and processes of the compliance function are not exclusively performed by the Compliance department but may be delegated to, or supported by, other departments, business areas, Internal Audit, Risk, and Actuarial, or external resources.

B. System of Governance continued

The Compliance department comprises a full-time team of compliance professionals led by the Chief Compliance Officer. It is a second-line function reporting into the CRO, but with dotted lines to the Board Risk Committee and Group Chief Compliance Officer for Allianz SE Group; independence of the function is ensured by written policy and by the oversight of the Board Risk Committee. The Compliance Department produces an annual plan in consultation with the Risk and Internal Audit functions for approval by the Executive Committee and the Board. Delivery of this plan, findings from monitoring exercises and remediation of those findings are overseen by the Executive Committee and the

B.6 Internal audit

The Internal Audit function comprises a full-time team of audit professionals led by the UK Chief Audit Officer. It reports to the Audit Committee Chair to ensure independence from first- and second-line functions and to the CEO for administrative purposes; independence and objectivity is supported by a written audit policy and by the oversight of the Audit Committee. The Internal Audit function produces an annual audit plan in consultation with the Management Board, the second-line functions and the Board. Delivery of this plan, findings from audits and remediation of those findings are overseen by the Audit Committee.

The primary responsibilities and activities of the function are to:

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

B.7 Actuarial function

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

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

The Actuarial function’s independence is supported by written policy. It provides guidance to the CFO on technical provisions through reserve committees. The work of the Actuarial Function and its independence is overseen on behalf of the Board by the Board Risk Committee.

The Actuarial function consists of the Chief Actuary who is supported by a team of actuarial professionals with a depth of experience. The Chief Actuary holds an appropriate Institute & Faculty of Actuaries Chief Actuary Practicing Certificate and is the approved SMF20 Chief Actuary Function Holder. The Actuarial function reports on compliance with the above requirements by producing an Actuarial Function Report.

B.8 Outsourcing policy

Following the acquisition of LVGIG by Allianz SE, LVGIG and AZI have reviewed respective policies and standards related to Outsourcing, including Critical or Important arrangements – and the ongoing management of these services.

AZI & LVGIG have a local outsourcing policy ("LOP") that aligns with the key principles of the corresponding document at the Allianz SE group level and the requirements of Solvency II. This local policy provides necessary local further guidance, particularly in the area of underwriting and claims activities. For example, concerning delegated authorities.

The LOP sets out a clear framework for the management of outsourcing (as defined by the Group Outsourcing Policy). Compliance with the policy is overseen by the local outsourcing function, who, with the procurement team, also provide expert advice on setting up, managing and terminating outsourcing and other contracts. Suppliers are risk-assessed by Procurement at the point of initial engagement, and at intervals throughout the lifetime of the contract, drawing advice from safeguarding functions as and where required. Critical or important function suppliers are managed closely by the supplier relationship management team, who support the business in ensuring that the appropriate monitoring and oversight is in place for these suppliers.

In 2021 the approach to oversight included the following controls;

- All outsourcing arrangements must have a signed contract incorporating LVIC standard terms and conditions or necessary risk assessed and negotiated terms
- Financial health monitoring using an industry automated alerting system
- Monitoring of third-party directors against the HMRC Sanctions list
- Where information is shared with third parties a series of questionnaires (relating to information security and data protection) are sent to each supplier prior to the commencement of their service and subsequently the risks assessed against LVIC appetite.
- Privacy impact assessment
- The Supplier Management Oversight Report (SMOR) is an evidence based annual review completed on Claims Critical or important suppliers. It reviews third parties' internal controls as well as LVIC's relationship management and oversight. This includes but not limited to details relating to Policy Compliance, Exit Planning, BCP, Supplier Capability, Performance Reviews, and Conduct Risk etc. Summaries of information are managed by our dedicated supplier relationship management team with the support of Procurement. These are then independently assessed, with many suppliers audited annually. Similar governance is also being rolled out to Critical or important software suppliers.
- Creation of supplier service specific business continuity and exit plans – agreed and signed off by business owners

The table below outlines the critical or important functions or activities that at the end of 2021 LVIC outsourced, and the jurisdiction in which the service providers are located:

Activity outsourced	Fellow member of the Allianz SE Group	Outsourcing Provider's Jurisdiction
Delegated authority to handle specific claims and/or underwriting of specific segments	Y N	France/United Kingdom United Kingdom
Provision of document preparation, printing and distribution	N	United Kingdom
IT services including hosting, development and support of business services	N N	United Kingdom Latvia
Information technology infrastructure provision	Y	Germany
Asset and Real Estate Management	Y N	United Kingdom United Kingdom
Pension Advisory services	N	United Kingdom
Management Services, including provision of staff	Y	United Kingdom

The Company does not outsource outside the Group any of the four key functions – Risk, Compliance, Actuarial and Internal Audit – as defined by Solvency II - apart from an element of the pensions actuarial work via a third party. The remaining key functions are all provided as management services and are outsourced to a fellow subsidiary of the Group.

B. System of Governance continued

In 2021 certain internal functions were provided under an intragroup Master Services Agreement (MSA). In total, there were 17 functions wholly or part provided which included:

- Legal & Co-Sec
- Internal Audit
- Finance Inc. Tax Investments
- IT Ops inc. Infosec & BCP
- Procurement (non-claims)
- Risk inc. DPO
- Compliance
- Human Resources
- Premises inc. Doc solutions & H & S

There was a clear governance structure to manage costs, performance and service changes. MSA effectiveness was reported quarterly to AZI and LVGI executive sponsors with the GI Chief Executive Office being the Accountable Owner.

For 2022 an Intra-Group Framework replaces the MSA. The IGFA is a single contract agreement to which all Allianz UK group companies adhere, it replaces current intra-Allianz UK group resource and service arrangements. This single contractual framework will ensure a consistent approach on how arrangements are governed within the Allianz Holdings group. The IGFA is not itself intended to change in a practical or operational sense any intra-group arrangements, but to provide the standard contractual framework for their continued provision and future changes.

B.9 Additional information

During the COVID-19 pandemic, there has been continued involvement and input from the Board, including from the non-executive directors. The non-executive directors have received updates describing the financial and operational impacts on the Company. Feedback has been provided on these topics to executive management.

Our ability to continue to meet our customers' needs has been supported by a move to home working across all functions, with this now well established.

The Risk function is responsible, among other things, for assessing risks and monitoring risk capital. This also includes the ongoing assessment of risks resulting from pandemics such as COVID-19 and the conflict between Russia and the Ukraine.

Following the Russian military invasion of Ukraine on February 24, 2022, the on-going conflict is a new source of uncertainty for the Company in 2022. Management have reviewed the risks to the Company and considering in particular, underwriting and direct investment exposures along with the wider macro-economic impacts of sanctions, information security threats and potential disruption to the supply chain.

Whilst the Company has no direct underwriting exposure to Russia or Ukraine, a minimal level of travel insurance claims are anticipated arising from trip cancellations and repatriations. We are monitoring closely any impacts of the event in Ukraine on claims' supply chains and inflation for our core Motor and Home products. As of today, we believe these are within our normal trading parameters, however long-term effects are uncertain and dependent on the duration of the disruption.

Our investment portfolio is well diversified and high quality. Since the crisis commenced, market values of corporate and emerging market bonds have declined due to rising spreads. Values of developed market bonds initially benefited from a flight to safety but have since declined as yields increased securitised assets, real estate and private debt funds have been relatively unaffected by the crisis and continue to provide stable income. In 2022, we have limited direct investment exposure to Russian, Ukrainian and Belarussian issuers (£2m book value) through emerging market debt investments; however, there wasn't any present in 2021. The emerging market debt is carefully monitored, however overall liquidity remains strong with a sufficient level of cash being retained in the Allianz SE Group cash pool.

The wider macro-economic impacts including those arising from sanctions include further upward pressure on inflation, particularly driven by rising energy costs, increasing the pressure on our customers and increasing the cost of our claims liabilities. The Company also recognises that in response to sanctions, 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, our organisational structure enables a coordinated response to cyber events within our local and global Crisis Management framework.

Further information on the monitoring of risks is provided within Section C.

C. Risk Profile

C.1 Overview

C.1.1 Overview of risk exposures

The chart below shows the 2021 Year End split of the Standard Formula Solvency Capital Requirement (SCR) by risk type. The largest exposure, 64% of the SCR, relates to Premium & Reserve Risk followed by Spread Risk with 12%, Operational Risk with 11% and Equity Risk with 7%. The equity risk is due to the holding (and associated risk) of the Highway Insurance Company (HICO) subsidiary.

Post diversification risk capital	**2021 YE**	**2020 YE**	**Change**
Premium and Reserve risk	**64%**	69%	-5%
Spread risk	**12%**	10%	2%
Operational risk	**11%**	9%	1%
Equity risk	**7%**	6%	1%
Catastrophe risk	**3%**	3%	-1%
Counterparty Default risk	**1%**	1%	1%
Interest Rate risk	**1%**	1%	1%
Other	**1%**	1%	0%
Total	**100%**	**100%**	

Note: Change includes impact of rounding.

The exposure to Premium and Reserve risk has reduced since the 2020 Year End, primarily due to the increase in Quota Share reinsurance (from 20% to 40%) which came into effect from 1st January 2021. There has also been an increase in the Spread Risk exposure as LVIC has continued to develop its Strategic Asset Allocation.

C.1.2 Measurement of risk exposures

LVIC measures its risk exposures using a variety of metrics. This allows management to identify the key areas of risk exposure and make informed decisions as to whether the current levels of exposure are consistent with risk appetite.

LVIC uses the following metrics:

- Regulatory capital is measured using the Standard Formula approach prescribed by EIOPA, and reported to the PRA on a quarterly basis.

- LVIC also maintains its own internal view of capital measurement using the Allianz Group Internal Model framework. This provides a more bespoke view of the risk profile and aides the transition towards regulatory use of the Internal Model.

- An analysis of change is performed on the regulatory capital requirements on a quarterly basis, looking at individual risks as well as the whole SCR.

- Capital and Own Funds are monitored using sensitivities and approximations on a regular basis and the results reported to Senior Management.

- Stress and scenario testing is performed quarterly for the Own Risk and Solvency Assessment (ORSA) and business planning exercises.

C.1.3 Prudent person principle

LVIC operates within an investment framework which ensures that all assets are invested in accordance with the prudent person principle. The investment framework is suitably flexible to manage the different investment needs of the diverse business areas within LVIC. All investment and strategic management decisions are set within Board approved risk appetite limits. Working within this risk framework, considerations of commerciality are embedded into the investment strategies for each business as appropriate

C. Risk Profile continued

All invested assets are managed by investment managers under an investment management agreement. Within the agreement, there are a number of investment guidelines which reflect the risk appetite limits and investment management parameters. All investment guidelines are approved by the Board or a delegated authority of the Board.

C.1.4 Risk concentration

LVIC offers a wide range of product options catering to differing policyholder needs and a widely diversified customer base in terms of age, gender and geographical location. As such, LVIC has a diverse and balanced mix of business and risk exposures.

In addition, LVIC uses a variety of measures to limit any excess concentrations:

- Investing in a range of assets governed by investment mandates and asset counterparty limits
- Managing counterparty risk through risk limits on exposure and concentration; and
- Limiting excess concentrations of underwriting risk through a range of reinsurance strategies.

As LVIC writes all new business in the UK, results are sensitive to demographic and economic changes arising in the UK.

C.2 Underwriting risk

In determining the price of its insurance products and when reporting the financial results relating to these products, LVIC makes a number of assumptions related to the future amount and timing of payments. Underwriting risk arises from the actual outcome being different to these assumptions.

C.2.1 Underwriting risk exposure

LVIC's Underwriting Risk is primarily driven by the uncertainty in the amount of claims and expenses it incurs from both expired and unexpired risk obligations and in relation to the level of premiums to be written on future new business. This is captured within the Premium and Reserve Risk component which dominates Underwriting Risk. Catastrophe Risk is defined as the risk that losses from catastrophe events differ from expected. This could be due to a divergence from expectations in either the claim frequency and/or average claim severity. LVIC writes household business which is exposed to natural catastrophe events, primarily floods and windstorms. The risk of catastrophe losses is heavily mitigated by the use of a Catastrophe Excess of Loss reinsurance programme. Lapse Risk is modelled explicitly within the Standard Formula and is the risk that profitable policies lapse over the one-year time horizon.

Underwriting risk	**2021 YE**	2020 YE	**Change**
Premium and Reserve risk	**95%**	96%	-1%
Catastrophe risk	**5%**	4%	1%
Lapse Risk	**0%**	0%	0%
Total	**100%**	100%	

As LVIC is predominantly a motor writer, Premium and Reserve risk continues to comprise most of the underwriting risk.

C.2.2 Material changes over the reporting period

The composition of Underwriting Risk did not change materially in 2021.

C.2.3 Risk mitigation techniques

Reinsurance purchase is the main tool used to keep underwriting exposure within risk appetite.

A range of reinsurance contracts are entered into, typically annually, across different lines of business to mitigate the losses arising from individual large losses and catastrophe events.

- Excess of loss programmes are used for motor lines to limit the impact of individual losses. The current programme protects LVIC within Premium Risk while the historic programmes protect losses occurring within Reserve Risk.
- Catastrophe reinsurance, which covers total losses stemming from an event across property lines, reduces catastrophe risk.

C. Risk Profile continued

In addition, LVIC entered into a Loss Portfolio Transfer and Whole Account Quota Share programme at the end of 2015. The Quota Share programme has been renewed each year and in 2021, increased from a 20% to a 40% share. These programmes further reduce Premium risk, Reserve Risk and Catastrophe risk.

C.3 Market risk

Market Risk arises as part of the general investment performance and impact of discounting on liabilities. The risk to LVIC arises from the performance of the investments being different from that assumed in the planning process.

C.3.1 Market risk exposure

Within Market Risk, the largest exposure is to Spread Risk which comprises 60% of the SCR (post-diversification) where LVIC has a relatively large exposure to corporate bonds. The next largest exposure is to Equity Risk which is due to the strategic equity holding of the Highway Insurance Company (HICO) subsidiary.

Market risk	**2021 YE**	2020 YE	**Change**
Spread risk	**60%**	60%	-1%
Equity risk	**33%**	35%	-1%
Interest Rate risk	**7%**	5%	2%
Concentration risk	**0%**	0%	0%
Total	**100%**	100%	

Note: Change includes impact of rounding.

C.3.2 Material changes over the reporting period

The composition of Market Risk did not change materially in 2021.

C.3.3 Risk mitigation techniques

Risk mitigation is implemented within interest rate risk where the asset strategy aims to match the duration with our liability profile. This ensures lower sensitivity to interest rates than there otherwise would be.

C.3.4 Risk concentrations

Concentrations in any one company or industry are limited by investment policies in place.

C.4 Credit counterparty risk

Credit counterparty risk arises from the holding of certain investment assets, reinsuring risks to third parties, and from normal trade credit such as brokers and premium finance. The risk to LVIC is that a counterparty defaults on its obligations or fails to meet them in a timely manner.

LVIC's largest counterparty exposure is a Quota Share (QS) reinsurance arrangement with Allianz Re (£262m), combined with a further reinsurance arrangement with Allianz SE (£10m). These exposures are considered acceptable as they form part of the same Allianz SE Group as LVIC.

LVIC's largest non-group counterparty exposure is to Swiss-Re, AA-rated reinsurer (£100m). This amount will continue to reduce over time as Swiss Re are no longer the reinsurer for the Quota Share arrangement (since 2019).

C.5 Liquidity Risk

Liquidity Risk is the risk that LVIC, though solvent, either does not have sufficient financial resources available to meet their obligations when they fall due, or can secure them only at excessive cost. This may arise either because of the nature of the investments held or adverse market conditions.

Liquidity within LVIC is maintained at a prudent level, with a buffer to cover contingencies. LVIC does not hold capital for liquidity risk but has a liquidity risk appetite statement which requires that LVIC must be able to meet its BAU and stressed liquidity requirements from high quality liquid assets.

There were no material changes to liquidity risk during 2021.

C.6 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk arises as a natural consequence of business activity and is managed actively within the LVGIG Risk and Compliance function.

Operational risk is monitored in detail on a monthly basis within regular risk reporting. This includes monitoring of all different areas of operational risk across the business.

C.7 Other material risks

Strategic risk

Strategic risk is defined as negative effects on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the economic environment. Strategic risks are mitigated by the review of strategies and plans by the Board and Allianz SE. They are evaluated and analysed as an input to the strategy and planning process and as part of the review of corporate plans by the CEO, CFO and CRO.

Reputational risk

Reputational risk is the risk of an unexpected negative change in the company's value as a result of a decline in the reputation of the Company in the eyes of its customers, regulators or staff. Reputational risks are mitigated by the implementation of policies on external and internal communication, and by active management of the relationships between the Company and its regulators. They are evaluated and analysed in discussions between the Risk function and the corporate communications team.

Conduct risk

Conduct risk is defined as the risk that inappropriate decisions, actions, and/or processes impact the ability to achieve fair customer outcomes. Conduct risk considerations arise for all business activities and risk categories. The Company endeavours to execute its business activities appropriately, seeking to ensure that there is no risk of significant detriment to customers, the Company itself or corporate partners as a result of inappropriate execution. The Company aims to have a culture of appropriate behaviour throughout the business. Conduct risk is mitigated by internal processes and is reinforced by thorough training and communication programmes. It is evaluated and analysed by the Risk function and the Compliance function in conjunction with the first-line.

Climate change

Climate change risk refers to climate change resulting in volatile weather patterns. These volatile weather patterns could have a material impact on LVGIG's claims experience as extreme weather events such as flooding, droughts, storms and heat waves become more frequent and more severe. This has the potential to drive up the cost of Home Insurance making it unaffordable for many consumers. Both the physical and investment risks arising from climate change continue to be areas of focus for LVGIG and these are managed through our risk management framework.

C. Risk Profile continued

C.8 Sensitivities

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

Sensitivities		**Impact**	
Item	**Size**	**£m**	**%**
Baseline SCR		347	-
Premium Risk	10% increase to next year premium	+11	+3%
Premium Risk	10% decrease to next year premium	-9	-3%
Reserve Risk	10% increase to overall claim provision	+11	+3%
Reserve Risk	10% decrease to overall claim provision	-11	-3%
Catastrophe Risk	25% increase to the 1-in-200 gross loss	+3	+1%
Catastrophe Risk	25% decrease to the 1-in-200 gross loss	-3	-1%

For premium risk, an increase (or decrease) to the next year of premium was considered. This could be caused as a result of the impact of a change in anticipated premium rates or volumes. The Standard Formula methodology considers the maximum of last year’s and next year’s premium, which drives a non-symmetrical result for LVIC in this test.

Within Reserve risk, the impact of a shock of 10% which might emerge from an event similar to those which resulted from the Ogden discount rate change and Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) were considered. The impact here is broadly symmetrical, as anticipated.

The impact of a stress to Catastrophe events is mitigated by the catastrophe reinsurance program, which is primarily designed to absorb the Standard Formula gross 1 in 200 loss stresses. In addition to this a further layer of cover is purchased which covers a loss event up to a 1 in 500 stress.

C.9 Additional information

There is no other additional information.

D. Valuation for Solvency Purposes

D.1 Assets

For Solvency II valuation purposes, assets and other liabilities are valued consistently with IFRS provided that IFRS valuation methods are consistent with Article 75 of Directive 2009/138. Assets and liabilities represent the fair value amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

Reconciliation between IFRS and Solvency II valuation		**2021**				**2020**
		IFRS	**Presentational adjustment**	**Solvency II valuation adjustment**	**Solvency II**	**Solvency II**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**
Intangible assets	1	**17**	**-**	**(17)**	**-**	**-**
Deferred acquisition costs	2	**5**	**-**	**(5)**	**-**	**-**
Deferred tax assets	3	**3**	**-**	**1**	**4**	**-**
Investments						
- Participations	4	**195**	**-**	**2**	**197**	**213**
- Equities	5	**-**	**-**	**-**	**-**	**-**
- Bonds	5	**1,226**	**11**	**-**	**1,237**	**1,341**
- Collective Investment Undertakings	5	**113**	**-**	**-**	**113**	**75**
- Deposits other than cash equivalents	5	**-**	**-**	**-**	**-**	**-**
Loans and mortgages	#	**78**	**-**	**1**	**79**	**83**
Reinsurance recoverables	6	**609**	**-**	**34**	**643**	**337**
Insurance and intermediaries receivables	7	**210**	**-**	**(210)**	**-**	**-**
Reinsurance receivables	8	**70**	**(2)**	**(68)**	**-**	**-**
Receivables (trade, not insurance)	#	**8**	**-**	**-**	**8**	**6**
Cash and cash equivalents	#	**14**		**-**	**14**	**34**
Any other assets, not elsewhere shown	9	**26**	**(11)**	**(2)**	**13**	**13**
Total Assets		**2,574**	**(2)**	**(264)**	**2,308**	**2,102**

#= Disclosure note not provided as Solvency II value equal to IFRS or the amounts are immaterial.

D. Valuation for Solvency Purposes continued

Supporting Notes

1. Intangible assets

For Solvency II valuation purposes, intangible assets are valued at £nil.

2. Deferred acquisition costs

For Solvency II valuation purposes, deferred acquisition costs are set to £nil however the cashflows relating to items which are chargeable as deferred acquisition expenses, are included within the Technical Provisions valuation if they fall within the projected timeframes (see D.2. Technical Provisions).

Under IFRS, the proportion of the costs of acquiring new general insurance business which relate to unearned premiums are deferred and recognised as an asset to the extent that they are recoverable out of margins in future matching revenues.

Acquisition costs comprise all allowable costs incurred in writing new contracts. Deferred acquisition costs are amortised over a period which is consistent with the assessment of the expected pattern of receipt of future revenue margins for each product type.

All deferred acquisition costs are tested for recoverability at each reporting date. The carrying values are adjusted to recoverable amounts and any resulting impairment losses are charged to the Statement of Comprehensive Income.

3. Deferred tax Asset

Under IFRS, there is a deferred tax asset (DTA) resulting from the timing differences relating to Available For Sale and intangible assets less capital allowances in excess of depreciation.

	£m
Net Deferred tax assets & liabilities - IFRS	**1**
Solvency II Valuation Adjustment	3
Deferred tax assets- Solvency II valuation	**4**

There are a number of changes that are made to the IFRS Balance Sheet in moving to a Solvency II basis which impact the Solvency II profit. A Deferred Tax provision is established to recognise the timing differences arising. These differences relate to the changes in the valuation of goodwill, intangible assets, technical provisions, reinsurance recoveries and trade payables.

As at 31 December 2021, the Company has £4.2m deferred tax assets driven by future expected taxable losses of £16.8m on Solvency II basis.

The recoverability of the deferred tax asset due to the losses arising from a move to Solvency II has been justified based on future profits per the Board approved business plans over the period 2022 to 2024.

	FY2022	FY2023	FY2024
LVIC Profit before Tax (£'m)	88.5	124.4	126.0

These profits demonstrate that the timing differences arising from IFRS accounting and tax treatment plus the timing differences arising from the move to Solvency II results are fully covered by future taxable profits at the prevailing corporation tax rates at times of recovery.

4. Participations

Under IFRS participations are held at cost less any provision for impairment. For Solvency II valuation purposes participations are not included at their carrying value, as they are under IFRS. For insurance undertakings, the adjusted equity valuation method was used. For non-insurance undertakings, the equity valuation method was used with a deduction for the value of goodwill or other intangible assets that would be valued at zero.

	£m
Shares in subsidiaries	195
Investments in group undertakings - IFRS	**195**
Adjusted equity method valuation differences	2
Participations - Solvency II valuation	197

D. Valuation for Solvency Purposes continued

5. Equities, Bonds, Collective Investment Undertakings and Deposits other than cash equivalents

For Solvency II valuation purposes, financial assets are valued consistently with IFRS. However, there are mapping differences between the IFRS and Solvency II hierarchies with certain assets being presented differently under IFRS.

Under IFRS, financial assets are classified as either fair value through profit and loss ('FVTPL') or available for sale ('AFS'). LVIC sold all of its FVTPL designated assets in 2019, in order to align its accounting policy with its new parent, Allianz SE.

AFS are held at fair value but with the unrealised gain or loss, held in a revaluation reserve (rather than recognising it as income through FVTI), until it becomes realised.

Available for sale investments include listed and unlisted debt securities and are investments intended to be held for an indefinite period of time, that may be sold in response to liquidity or changes in interest rates, exchange rates or market movements.

AFS investments are initially recognised at fair value plus directly related transaction costs. They are subsequently carried at fair value. Impairment losses and exchange differences resulting from translating the amortised cost of foreign currency monetary AFS financial assets are recognised in the Statement of Other Comprehensive Income, together with interest calculated using the effective interest rate method. 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 the Statement of Comprehensive Income as 'net realised gains and losses'

Fair value estimation

For Solvency II valuation purposes, the fair value measurement hierarchy is as follows:

- Quoted market prices in active markets for same assets and liabilities (QMP). This is the default valuation method and is broadly consistent with Level 1 category assets under IFRS.
- Quoted market price in active markets for similar assets (QMPS). Maximum use is made of relevant market inputs such as quoted prices for identical or similar assets in an inactive market, observable inputs other than quoted prices and market corroborated inputs derived from observable market data. This is broadly consistent with Level 2 category assets under IFRS.
- Other alternative valuation method (AVM). Unobservable inputs reflecting the assumptions market participants would use when pricing the asset or liability, including assumptions about the risk inherent in both the inputs and the valuation technique. The undertaking uses various valuation approaches, including market, income and cost approaches. This is broadly consistent with Level 3 category assets under IFRS.
- Adjusted Equity Method (AEM) for Participations.

The following table presents the financial assets measured at fair value at 31 December 2021:

	QMP	QMPS	AVM	AEM	Total
	£m	£m	£m	£m	£m
Holdings in related undertakings, including participations	-	-	-	197	197
Bonds	386	851	-	-	1,237
Collective Investments Undertakings	-	108	5	-	113
Investments	**386**	**959**	**5**	**197**	**1,547**

6. Reinsurance recoverables

The undertaking cedes insurance risk in the normal course of business. Reinsurance assets represent balances recoverable from reinsurance companies.

For Solvency II valuation purposes, reinsurance recoverables are valued using the cash-flow projection method and in a consistent manner with the calculation of the best estimate liabilities (see D.2 Technical provisions). In calculating reinsurance recoverables under Solvency II, adjustments are made for the time difference between recoveries and direct payments and also for expected losses due to the default of a counterparty. The adjustment is based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom (loss-given-default).

D. Valuation for Solvency Purposes continued

Under IFRS, recoverable amounts are estimated in a manner consistent with the outstanding claims provision. Reinsurance premiums are recognised in the same period as the underlying contract that they relate to.

	£m
Reinsurers' share of claims liabilities	609
Total Reinsurance recoverables - IFRS	**609**
Best estimate liability adjustments	34
Total Reinsurance recoverables – Solvency II valuation	**643**

7. Insurance and intermediaries receivables

For Solvency II valuation purposes, any future premiums (included in insurance receivables) which fall due after the valuation date and any premium debts (included within intermediaries receivables), are subject to best estimate liability calculation of technical provisions (see D.2 Technical Provisions).

Under IFRS, insurance and intermediaries receivables are recognised when due and include amounts due from policyholders, agents, brokers and intermediaries. Insurance and intermediaries receivables are initially recognised at fair value and then subsequently held at amortised cost. Where there is objective evidence that the carrying value is impaired then the impairment loss will be recognised in the Statement of Comprehensive Income.

	£m
Due from policyholders	180
Due from agents, brokers and intermediaries	30
Total Insurance and intermediaries receivables - IFRS	**210**
Best estimate liability adjustments	(210)
Total Insurance and intermediaries receivable - Solvency II valuation	**-**

8. Reinsurance receivables

For Solvency II valuation purposes, reinsurance receivables are included within the BEL calculations.

Under IFRS, reinsurance receivables are recognised when due. Reinsurance payables are initially recognised at fair value and subsequently held at amortised cost.

	£m
Due from reinsurers	70
Total Reinsurance receivables - IFRS	**70**
Reinsurance receivables reclass	(2)
Reinsurance receivables included in BEL calculations	(68)
Total Reinsurance receivables - Solvency II valuation	**-**

9. Any other assets, not elsewhere shown

For Solvency II valuation purposes, prepayments and accrued income are valued consistently with IFRS. On the Solvency II balance sheet, the accrued interest on bonds is included in the market value of Investments.

Under IFRS, prepayments and accrued income balances are all due within one year. These are valued at fair value based on amounts receivable on demand.

	£m
Accrued interest	15
Other prepayments and accrued income	11
Prepayments and accrued income - IFRS	**26**
Reclassify accrued interest on bonds to Investments	(11)
Sub-total any other assets, not elsewhere shown - Solvency II valuation	**15**
Solvency II valuation adjustment	(2)
Total any other assets, not elsewhere shown - Solvency II valuation	**13**

D. Valuation for Solvency Purposes continued

D.2 Technical Provisions

The Technical Provisions are calculated as the sum of the Claims Provisions, Premium Provisions and the Risk Margin. The table below summarises the gross technical provision recorded as at year end 2021:

LVIC Entity (£ms)	Total	Motor Liability	Motor Other	Property Damage	General Liability	Legal Expenses	Assistance	Medical Expenses	Settled PPOs
Gross Claims Provision	**1,020**	874	-41	92	21	3	2	1	68
Gross Premium Provision	**308**	157	102	45	0	-3	6	1	0
Gross Best Estimate Liability	**1,328**	**1,031**	**61**	**137**	**21**	**0**	**8**	**2**	**68**
Risk Margin	**43**	34	2	3	1	0	0	0	3
Gross Technical Provisions	**1,371**	**1,065**	**63**	**140**	**22**	**0**	**8**	**2**	**71**

The 'Settled PPOs' Line of Business relates purely to claims that have settled as a Periodic Payment Order (PPO) whereby the claimant is granted, in addition to a lump sum payment on settlement, a regular income for life to pay for future care costs and loss of earnings. Such payments are generally linked to an inflation index representing the expected increases in salaries for care workers.

Methods and main assumptions

The business estimates the Technical Provisions using a range of standard actuarial and statistical techniques. This includes, where appropriate, stochastic models.

For attritional claims, these methods rely primarily on Standard Actuarial Techniques for more developed accident periods, which use historic claim development triangles to attempt to predict the future development of claims which are reported but not settled and claims that are yet to be reported. For more recent periods, trended methods are adopted.

For known non-PPO large claims a separate stochastic method is adopted that assumes claims settle with a severity that is consistent with a standard statistical distribution.

The cashflow used for the IBNR held for large claims is derived from a separate stochastic model and uses a similar methodology as the reported claim model described above, which is again used as part of the Actuarial Best Estimate (ABE) calculation. The model is frequency/severity based and is employed to generate the level of provision required and the reporting delay for these claims. Based on the time of reporting a cashflow is produced from the model for each claim within a simulation. Averaging across all simulations provides the expected net undiscounted cashflow for IBNR claims by considering existing reinsurance structures, including allowing for indexation clauses within the reinsurance contracts. The same methodology is used for the large reported claims, with the extraction and averaging over simulations to produce the cash-flows, which are subsequently discounted. The IBNR amounts are also adjusted to allow for the explicit PPO IBNR.

For PPO claims a cashflow model is used to project cashflows for both claims that have settled on a PPO basis and those identified as having the potential to settle as a PPO in the future. This model projects both gross and reinsurance cashflows separately. The models used for PPOs are deterministic and for settled PPOs the settled amounts are known. The primary assumptions made relate to future wage inflation for care workers, investment returns (by which cashflows are discounted), base mortality of claimants and any expected reduction in life expectancy due to the severity of the injuries suffered by the claimant.

The Premium Provision is the discounted cashflow in respect of premium receivables, claims and expenses arising from incepted unearned and un-incepted business. The calculation of the Premium Provision requires a set of assumptions to be made. The unearned premium and un-incepted premium runs-off over the subsequent twelve months and is adjusted to allow for several factors affecting claims and expenses. The Premium Provision is calculated in a single model. The model projects all relevant cashflows for each line of business and discounts these using the relevant yield curve. The Premium Provision requires cashflow projections for all items associated with in-force business, i.e. premium (net of IPT), claims and expenses (acquisition, administration and claims handling) and other ancillary income. The Premium Provision is calculated separately for each Solvency II Line of Business. The calculations are performed on an aggregated basis as opposed to an individual policy basis.

Expenses and other cashflows associated with the servicing of claims and policies are allowed for, as are events that are not in the data (ENIDs).

D. Valuation for Solvency Purposes continued

Risk Margin

The risk margin is calculated using an in-house model that makes a full calculation of all future SCRs without using simplifications, as permissible by the Solvency II regulations.

All methods are supplemented by regular interaction with Claims and Underwriting functions.

Uncertainty

Insurance is a business based around uncertainty. In calculating the Technical Provisions, judgement is used in deciding appropriate models to use and in calibrating the models. As such, there is inherent uncertainty around the value of the technical provisions both in terms of the amount and timing of future cashflows. The ENIDs aim to capture this uncertainty.

ENIDS

The approach used to derive the ENIDs loading has considered a combination of a mean load statistical approach for the attritional claims and a set of stresses and scenarios for large claims, PPOs and weather events. The statistical approach for attritional claims builds on a presentation at the Institute and Faculty of Actuaries Reserving Seminar 2016, which provided an alternative approach to the Lloyd's Truncated Statistical Distribution approach called the mean load approach. The data segmentation is by product and the loadings derived are split by product.

Differences in valuation methodologies

The Solvency II BEL is based upon the IFRS ABE. However, elements of the ABE which are required under IFRS are not required under Solvency II and vice versa. Broadly, these can be summarised as follows:

- Past Deferred Acquisition Costs (DAC) are not included in the cashflow projections. However, the future DAC expenses in the unincepted business are included;
- An explicit claims margin is inadmissible under SII. However, this is replaced by an allowance for Events Not In Data (ENIDs) that is calculated using standard actuarial techniques;
- Under IFRS where liabilities are discounted (only PPOs) the Group can make an appropriate assumption as to expected asset returns whereas under Solvency II all liabilities (PPOs and non-PPOs) must be discounted using the yield curve specific to the UK; and
- The UPR (net of DAC and Premium receivables) under IFRS is inadmissible under Solvency II. However, this is replaced by the premium provision.

Recoverables from reinsurance contracts and special purpose vehicles

The business enters into a number of reinsurance contracts. This includes an excess of loss arrangement to cover liability-related exposure with a retention set in line with the Group risk appetite. At the 2015 year-end the Group also entered into a General Insurance portfolio-wide Loss Portfolio Transfer arrangement for accident years 2015 and prior inclusive. The Group has entered into quota share arrangements on a losses occurring basis with effective date of 1st January 2016, covering each of the calendar years to 31st December 2021. A further quota share has also been entered into with an effective date of 1st January 2022.

At present, there are no special purposes vehicles in place for the Group's reinsurance.

Material changes in the relevant assumptions made in the calculation of the technical provisions

The Solvency II BEL relies upon the calculation of the IFRS ABE for many of its assumptions. In addition to those assumptions underlying the IFRS ABE, the following assumptions are updated throughout the year:

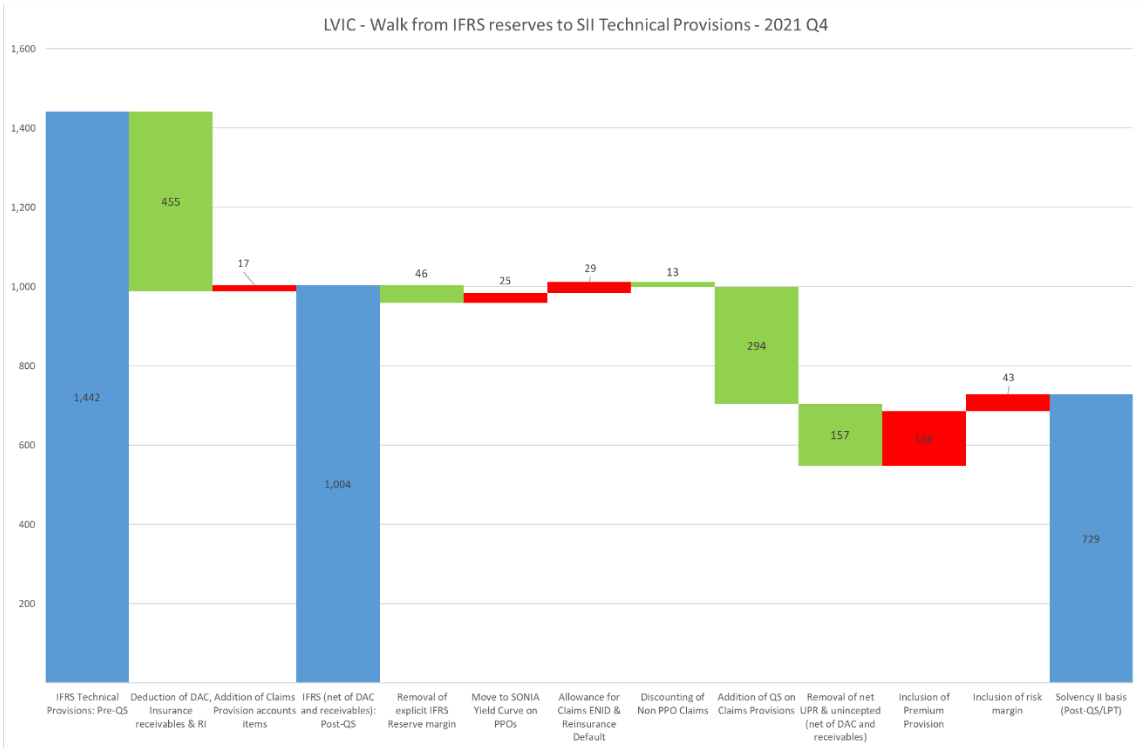
- Premium Provision Loss Ratios are updated whilst taking into account the insights from the IFRS reserve reviews and the developing picture for the forward-looking view;
- Premium Provision expense assumptions and contract boundary rates are updated in line with the reforecasting of the business plan and the latest available MI;
- Cashflow patterns;
- Allowance for reinsurer counterparty default.

LVIC does not apply the use of the matching adjustment, volatility adjustment or transitional measures on technical provisions.

D. Valuation for Solvency Purposes continued

IFRS to Solvency II Technical Provisions

The following graph provides a walk between the IFRS Technical Provisions to the equivalent under Solvency II. The figures provided are net of all reinsurance.



The IFRS Technical Provisions net of DAC and receivables is £1,004m.

The net Technical Provisions restated on a Solvency II basis are £729m. This is a decrease of £275m and consists of;

- Removal of the IFRS Reserve margin, decrease of £46m;
- Move to SII Yield Curve on PPOs only, increase of £25m;
- Allowance for Claims Provision ENIDs and reinsurance default, increase of £29m;
- Discounting of Non-PPO claims, decrease of £13m;
- Addition of QS on Claims Provisions, decrease of £294m;
- Removal of UPR (net of DAC and Insurance Receivables), decrease of £157m;
- Inclusion of Premium Provision, increase of £138m; and
- Inclusion of the Risk Margin, increase of £43m.

D. Valuation for Solvency Purposes continued

D.3 Other liabilities

Reconciliation between IFRS and Solvency II valuation		2021			
		IFRS	Presentational adjustment	Solvency II valuation adjustment	Solvency II
	Note	£m	£m	£m	£m
Deferred tax liabilities	#	**2**	-	(2)	**-**
Insurance and intermediaries payables	#	**1**	-	-	**1**
Reinsurance payables	1	**4**	-	(4)	**-**
Payables (trade, not insurance)	2	**96**	-	(40)	**56**
Deposits from reinsurers	3	**312**	(2)	(9)	**301**
Other liabilities	#	**19**	-	-	**19**
Total Other Liabilities		**434**	**(2)**	**(55)**	**377**

#- Disclosure note not provided as Solvency II value equal to IFRS or the amounts are immaterial.

There are no material off-balance sheet assets or liabilities which fall into the scope of this narrative.

Supporting Notes

1. Reinsurance payables

For Solvency II valuation purposes, reinsurance payables are valued consistently with IFRS.

Under IFRS, reinsurance payables are recognised when due. Reinsurance payables are initially recognised at fair value and subsequently held at amortised cost.

	£m
Due to reinsurers	4
Total Reinsurance payables - IFRS	**4**
Reinsurance payables included in BEL calculations	(4)
Total Reinsurance payables - Solvency II valuation	**-**

The maturity profile of the liability recognised in the IFRS financial statements is summarised in the following table:

	Within 1 year	1 - 3 years	3 - 5 years	Over 5 years	UL	Total
						£m
Reinsurance payables	**4**	**-**	**-**	**-**	**-**	**4**

D. Valuation for Solvency Purposes continued

2. Payables (trade, not insurance)

For Solvency II valuation purpose, trade payables are initially valued consistently with IFRS and then adjusted to remove the MIB levy as part of the BEL calculations.

Under IFRS, trade payables are recognised when due. Payables are initially recognised at fair value and subsequently held at amortised cost.

Payables (trade, not insurance)	**£m**
Bank Overdrafts	2
Amounts owed to group undertakings	14
Other taxes and social security costs	33
Other payables	3
Accruals and deferred income	44
Total Payables (trade, not insurance) - IFRS	**96**
Reclassification of payables included in BEL calculations	(40)
Total Payables (trade, not insurance) - Solvency II valuation	**56**

3. Deposits from reinsurers

Reinsurance treaties on a funds withheld basis are treated differently due to the distinct features of cash settlement arising from the existence of the cash deposit. The retained deposit on these funds is recorded separately as a liability on the balance sheet under the “Deposit from Reinsurers”.

	£m
Deposits from reinsurers	312
Total Deposits from reinsurers - IFRS	**312**
Reinsurance receivable reclassification	(2)
Discounting of Deposit from Reinsurers	(9)
Total Reinsurance payables - Solvency II valuation	**301**

D.4 Alternative methods for valuation

Information is provided for material assets and liabilities valued using alternative methods.

Justification for using alternative methods

The Company aims to use quoted market prices or observable inputs to value all assets and liabilities however where there is no external market or readily observable inputs, the Company will use an alternative method such as discounted cash-flow or mark-to-model.

Assumptions used in valuation approach and areas of uncertainty

Alternative methods for valuation include the use of estimates and assumptions that are not market observable but are based on a combination of internally developed models, calibrated to market observable data where possible as well as independent third-party evidence. Valuation uncertainty arises where there is reliance on third-party adherence to expected valuation standards or potential variation in the expected range of the key inputs into models.

The following material assets have been valued using alternative valuation methods in accordance with Article 263 of the Delegated Acts:

1) Reinsurance recoverables of £643m; this has been valued using the cash flow projection method, in a consistent manner with the calculation of the best estimate liabilities and adjusted for expected losses due to the default of reinsurance counterparties. Further information regarding the best estimate liabilities can be found earlier in Section D.

2) Receivables (trade, not insurance) £8m and Any other assets, not elsewhere shown of £13m are valued consistently with IFRS. Management believe this to be representative of the fair value at the reporting date.

The following material liabilities have been valued using alternative valuation methods in accordance with Article 263 of the Delegated Acts:

1) Best Estimate Liability and Risk Margin £1,371m; this has been valued under Solvency II methodologies and further information can be found in Section D.2 of this report.

2) Payables (trade, not insurance) £56m; trade payables are initially valued consistently with IFRS. The MIB levy is then removed from the payable balance and included within the Best Estimate Liability calculations. Further information on this calculation can be found in Section D.3 of this report.

D.5 Any other information

The ongoing pandemic was a continued source of uncertainty which has been reflected in the global financial markets over the last 2 years.

The financial impact of fewer claims on motor, home and pet products as a consequence of the government instruction for people to stay at home, continued into the first half of 2021. The risks subsided during 2021, as the UK vaccination programme was rolled out and allowed businesses including Allianz to briefly return to partial office working within a Covid-19 secure environment.

However, whilst there is still a significant degree of uncertainty, the Company expects to continue to meet its solvency and capital requirements as required by regulation.

E. Capital Management

E.1 Own funds

The Company seeks to create value for its shareholders by investing in the development of the business while maintaining an appropriate level of capital available. The risk appetite for each type of principal risk is set based on the amount necessary to meet the solvency II capital requirements.

a) Policies and objectives The Company's key capital management objectives are:

i) To ensure the Company strategy can be implemented and is sustainable;
ii) To ensure the Company financial strength and to support the risks it takes on as part of its business;
iii) To give confidence to policyholders and other stakeholders who have relationships with the Company; and
iv) To comply with Solvency II capital requirements imposed by its UK regulator, the PRA.

These objectives are reviewed at least annually, and benchmarks are set by which to judge the adequacy of the Company's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Company. The Company is required to hold sufficient capital to meet the Solvency II capital requirements based on the higher of the Solvency Capital Requirement or Minimum Capital Requirement.

The assessment depends on various actuarial and other assumptions about potential changes in market prices, future operating experience and the actions management would take in the event of particular adverse changes in market conditions.

Management intends to maintain surplus capital in excess of the SCR and MCR to meet the PRA's total requirements and to maintain an appropriate additional margin over this to absorb changes in both capital and capital requirements.

b) Measurement and monitoring of capital

The capital position of the Company is monitored on a regular basis and reviewed formally on a monthly basis by the Company's Finance and Investment Forum. The Company's key capital management objectives are reviewed and benchmarks are set by which to judge the adequacy of the Company's capital and ensure that sufficient capital is available.

The Company's capital requirements are forecast at least annually and compared with the projected capital to ensure that the Company will remain adequately capitalised on a forward-looking basis.

In the event that sufficient capital is not available, defined by set triggers, management will refer to the Recovery and Resolution Plan to set out actions that might be taken to improve the position. This might include a capital injection from the Company's parent company or by reducing the amount of risk accepted thereby reducing the capital requirement through, for example, reinsurance, reducing business volumes or a change in investment strategy.

The items reported under Own Funds are classified by the regulations and split into three categories depending on different factors such as quality, liquidity and timeline to availability when liabilities arise. Tier 1 includes ordinary share capital, non-cumulative preference shares and relevant subordinated liabilities. Tier 2 includes cumulative preference shares, and subordinated liabilities with a shorter duration. Tier 3 own funds are those which do not satisfy the Tier 1 or Tier 2 requirements.

Different limit amounts held under the three tiers apply to the MCR and SCR. As Tier 1 comprises the highest quality with the longest redemption period, the majority of the eligible amount of own funds to cover the MCR and SCR is composed of Tier 1 own funds.

E. Capital Management continued

c) Own fund items

The following table details the structure, amount and quality of basic own funds:

	Tier 1 £m	Tier 2 £m	Tier 3 £m	Total £m
Ordinary share capital	385	-	-	385
Reconciliation reserve	170	-	-	170
Deferred tax assets	-	-	4	4
Total Basic Own Funds	**555**	**-**	**4**	**559**

The following tables detail the eligibility of own funds to meet the SCR and MCR:

Total available Own Funds to meet the SCR	555	-	4	559
Total eligible Own Funds to meet the SCR	**555**	**-**	**4**	**559**

Total available Own Funds to meet the MCR	555	-		555
Total eligible Own Funds to meet the MCR	**555**	**-**		**555**

Tier 1 consists of both Ordinary Shares of £385m (2020 YE: £385m) and the reconciliation reserve, both of which carry no requirement for LVIC to repay.

A 2021 interim dividend of £164m (overall £0.43 per share) (2020: £126.4m (£0.33 per share)) was declared by the Directors during 2021 and remitted to the parent company in June 2021.

Analysis of significant changes in own funds during the reporting period

	LVIC		
	1 January 2021 £m	Movement £m	**31 December 2021** **£m**
Eligible own funds			
Tier 1 capital	**669**	(114)	**555**
Tier 3 capital	**-**	4	**4**
Total capital	**669**	(110)	**559**
Made up by:			
Equity shares	**385**	-	**385**
Deferred tax	**-**	4	**4**
Reconciliation reserve / surplus	**284**	(114)	**170**
Total capital	**669**	(110)	**559**
Total eligible own funds to meet SCR	**669**	**(110)**	**559**

Tier 1 capital includes movements in excess of assets over liabilities, adjusted for the movement in deferred tax. The decrease of £110m includes a dividend payment made during the year of £164m offset by profits of £94m.

Tier 3 capital represents the deferred tax asset.

Ancillary own funds

At 31 December 2021 there were no ancillary own funds.

Deductions from own funds

At 31 December 2021 there were no deductions from own funds.

Explanation of the key elements of the reconciliation reserve

Reconciliation reserve	**£m**
Retained earnings on a Solvency II basis	170
Total	**170**

E. Capital Management continued

LVIC has not applied loss absorbency mechanisms as at the end of 2021.

Material Differences between equity as shown in the undertaking's financial statements and the excess of assets over liabilities as calculated for Solvency II purposes

The following table provides a reconciliation of equity under IFRS to Solvency II excess of assets over liabilities.

	£m
Analysis of Equity - IFRS	
Ordinary shares, allotted and fully paid	385
Capital reserve	-
Available for Sale Reserve	(9)
Retained Earnings	191
Total Equity - IFRS	**567**
Solvency II Adjustments (excluding reclassifications)	
Assets	
- Reduction in valuation of goodwill (Section D.1 note 1)	(16)
- Reduction in valuation of DAC (Section D.1 note 2)	(5)
- Reduction in valuation of intangibles	(2)
- Increase in participations	2
- Increase in valuation of reinsurance recoverable (Section D.1 note 6)	34
- Reduction in valuation of insurance and intermediaries recoverable (Section D.1 note 7)	(210)
- Reinsurance Receivables	(68)
- Deferred Tax Assets	-
- Other	1
	(264)
Technical provisions	
- Decrease in valuation of technical provisions	201
Other liabilities	
- Reduction in deferred tax liabilities	3
- Reduction in reinsurance payables (section D.3)	4
- Reduction in deposits from reinsurers (section D.3)	9
- Reduction in payables (trade, not insurance) (section D.3)	39
	256
Total Equity - Solvency II basis	**559**
Total own funds - Solvency II basis	**559**

Excess of Assets over Liabilities - Solvency II basis	
Total Assets	2,308
Total Technical Provisions	(1,372)
Total Other Liabilities	(377)
Excess of Assets over Liabilities - Solvency II basis	**559**

Differences in the asset and liability valuation methodology used for Solvency II purposes and that used under IFRS are set out in Section D.

Own-fund items that are subject to the transitional arrangements

LVIC has no own funds subject to transitional measures.

E. Capital Management continued

E.2 SCR and MCR

E.2.1 SCR and MCR

The following table shows the valuation of the LVIC SCR and MCR.

	2021 YE	2020 YE
LVIC SCR (£m)	**347**	376
LVIC MCR (£m)	**97**	160

The LVIC SCR reduced in 2021, this was primarily driven by Non-Life Underwriting risk continuing to reduce as a result of the increase in Quota Share, offset by a decrease in the Loss Attributing Capacity of Deferred taxes due to both a reduction in the Carry-back value, and the holding of a Deferred Tax Asset rather than a Deferred Tax Liability.

The Minimum Capital Requirement (MCR) reduced significantly in 2021. This was due to the higher Quota Share reducing Net Written Premiums and Reserves.

E.2.2 Basis of calculation

LVIC uses a Standard Formula basis to calculate the SCR. The approach to calculating the SCR and MCR is in accordance with the Solvency II Directive. LVIC is not using any material simplifications or undertaking specific parameters in the calculation of the SCR and does not have any regulatory capital add-ons.

E.2.3 SCR split by risk

The following table summarises the risk modules which contribute to the Solvency Capital Requirement applicable under Standard Formula.

LVIC Year end 2021 - all figures in £m	
Non-life underwriting risk	263
Market risk	120
Counterparty default risk	11
Life underwriting risk	3
Health underwriting risk	0
Diversification	(76)
Basic solvency capital requirement	**321**
Operational risk	38
Loss-absorbing capacity of deferred taxes	(12)
Solvency capital requirement	**347**

E.2.4 Loss Absorbing Capacity of Deferred Taxes (LACDT)

As above, the allowance for LACDT reduces the SCR by £12m for LVIC.

There are various component parts to the LACDT calculation, as detailed below.

- The maximum LACDT possible is calculated as 19% of the SCR loss (£66m).
- Based on carry-back profit from previous years, £16.3m of LACDT can be justified
- There is a current DTA on the balance sheet of £4.2m which should be deducted from the LACDT justifiable from carry-back

E.3 Use of a duration-based equity risk sub-module

LVIC has not applied the duration-based equity risk sub-module in the calculation of the SCR.

E. Capital Management continued

E.4 Differences between Standard Formula and any Internal Model used

This does not apply as LVIC does not currently use an Internal Model to calculate its SCR.

E.5 Non-compliance with the MCR and the SCR

LVIC has been compliant with the MCR and SCR throughout the reporting period.

E.6 Any other material information

There is no other additional information.

In view of the Solvency II capital ratio of 161% as at 31 December 2021, and the stress tests performed, LVIC does not expect any breach of its Solvency Capital Requirement. LVIC is continuing to perform regular stress testing as described in Section C and maintains a catalogue of recovery options in its Recovery and Resolution Plan.

Report of the external independent auditors to the Directors of Liverpool Victoria Insurance Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

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

Opinion

We have audited the following documents prepared by the Company as at 31 December 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2021, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

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

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

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

- Company templates S.05.01.02 and S.19.01.21; and

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

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

Conclusions relating to going concern

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

- Obtaining management's updated going concern assessment and challenging the material assumptions made using our knowledge of the Company's business performance and review of regulatory correspondence;
- Considering management's assessment of the regulatory Solvency coverage and liquidity position in management's future forecast; and

- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern (including the impacts of COVID-19).

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

Approval to use the PRA Rulebook Group Supervision 17.2(3) Version

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

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

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

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

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

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as the PRA Rulebook applicable to Solvency II firms and the Solvency II regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to inappropriate adjustments to derive the Solvency II Balance Sheet, such as increasing the value of Own Funds of the Company, management bias in estimates and judgemental areas of the Solvency II Balance Sheet and Solvency Capital Requirement such as the Solvency II valuation of Non-Life Technical Provisions. Audit procedures performed included:

- Discussions with the Board, management, Internal audit, senior management involved in the Risk and Compliance functions and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud relevant to the SFCR;
- Reading key correspondence with and reports to the Prudential Regulation Authority and/or the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, the Risk Committee and the Reserving Committee;
- Procedures relating to the valuation of Non-Life Technical Provisions. In addition, we consider whether there are indications of management bias in the Solvency II valuation; and
- Identifying material adjustments to derive the Solvency II financial information from the statutory financial statements and assessing for indicators of material non-compliance with Solvency II regulations.

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

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

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

London

SE1 2RT

8 April 2022

Balance sheet

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021SOL2
Period: Annual
Currency: GBP - Great British Pounds
EIOPA QRT: S.02.01

Balance Sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	4,233
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
contracts)	**R0070**	**1,547,384**
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	197,492
Equities	*R0100*	
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	*R0130*	*1,236,774*
Government Bonds	R0140	386,355
Corporate Bonds	R0150	816,646
Structured notes	R0160	0
Collateralised securities	R0170	33,773
Collective Investments Undertakings	R0180	113,117
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	**R0230**	**78,834**
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	78,834
Reinsurance recoverables from:	**R0270**	**643,127**
Non-life and health similar to non-life	R0280	596,859
Non-life excluding health	R0290	596,102
Health similar to non-life	R0300	757
unit-linked	R0310	46,268
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	46,268
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	10
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	8,396
Own shares (held directly)	R0390	0
paid in	R0400	0
Cash and cash equivalents	R0410	13,867
Any other assets, not elsewhere shown	R0420	12,513
Total assets	**R0500**	**2,308,365**
Liabilities		
Technical provisions - non-life	**R0510**	**1,299,997**
Technical provisions - non-life (excluding health)	**R0520**	**1,298,057**
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	1,258,631
Risk margin	R0550	39,426
Technical provisions - health (similar to non-life)	**R0560**	**1,940**
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	1,929
Risk margin	R0590	12
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**71,525**
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	0
Best estimate	R0630	0
Risk margin	R0640	0
linked)	**R0650**	**71,525**
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	68,134
Risk margin	R0680	3,390
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	301,310
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	1,262
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	56,317
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	18,528
Total liabilities	**R0900**	**1,748,938**
Excess of assets over liabilities	**R1000**	**559,427**

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Solvency II Prepackage Solution

Premiums, claims and expenses by line of business

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021 Solvency II
Period: Annual
Category: Solvency II: Statutory Account
Currency: GBP - Great British Pounds
EIOPA QRT: S.05.01

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	2,916			583,664	348,234		169,464	1,595		30,450	75,091						1,211,414
Gross - Proportional reinsurance accepted	R0120																	0
Gross - Non-proportional reinsurance accepted	R0130																	0
Reinsurers' share	R0140	1,763			363,921	217,127		107,744	1,014		18,417	45,418						755,405
Net	**R0200**	**1,152**			**219,743**	**131,106**		**61,721**	**581**		**12,033**	**29,673**						**456,009**
Premiums earned																		
Gross - Direct Business	R0210	2,590			584,411	348,679		164,370	1,548		30,335	72,046						1,203,979
Gross - Proportional reinsurance accepted	R0220																	0
Gross - Non-proportional reinsurance accepted	R0230																	0
Reinsurers' share	R0240	1,036			250,315	149,346		73,533	692		12,134	28,818						515,875
Net	**R0300**	**1,554**			**334,097**	**199,333**		**90,837**	**855**		**18,201**	**43,228**						**688,105**
Claims incurred																		
Gross - Direct Business	R0310	-430			386,935	230,858		111,299	1,463		2,143	34,716						766,984
Gross - Proportional reinsurance accepted	R0320																	0
Gross - Non-proportional reinsurance accepted	R0330																	0
Reinsurers' share	R0340	-170			165,979	99,029		46,893	592		903	13,131						326,356
Net	**R0400**	**-259**			**220,956**	**131,830**		**64,406**	**871**		**1,241**	**21,584**						**440,628**
Changes in other technical provisions																		
Gross - Direct Business	R0410																	0
Gross - Proportional reinsurance accepted	R0420																	0
Gross - Non-proportional reinsurance accepted	R0430																	0
Reinsurers' share	R0440																	0
Net	**R0500**																	**0**
Expenses incurred	**R0550**	**349**			**92,308**	**55,074**		**26,478**	**263**		**2,816**	**9,005**						**186,293**
Other expenses	R1200																	34,482
Total expenses	**R1300**																	**220,775**

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									0
Reinsurers' share	R1420									0
Net	**R1500**									**0**
Premiums earned										
Gross	R1510									0
Reinsurers' share	R1520									0
Net	**R1600**									**0**
Claims incurred										
Gross	R1610									0
Reinsurers' share	R1620									0
Net	**R1700**									**0**
Changes in other technical provisions										
Gross	R1710									0
Reinsurers' share	R1720									0
Net	**R1800**									**0**
Expenses incurred	**R1900**									**0**
Other expenses	**R2500**									
Total expenses	**R2600**									

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Solvency II Prepackage Solution

Life and Health SLT Technical Provisions

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021 Solvency II
Period: Annual
Category: TO CONSOLIDATE
Currency: GBP - Great British Pounds
EIOPA ORT: S.12.01

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**										0						0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020										0						0
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**								68,134		68,134						0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080								46,268		46,268						0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090								21,866		21,866						0
Risk Margin	**R0100**								3,390		3,390						0
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110										0						0
Best estimate	R0120										0						0
Risk margin	R0130										0						0
Technical provisions - total	**R0200**								71,525		71,525						0

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Solvency II Prepackage Solution

Non - life Technical Provisions

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021 Solvency II
Period: Annual
Category: TO CONSOLIDATE
Currency: GBP - Great British Pounds
EIOPA QRT: S.17.01

Non - life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	**0**
Technical Provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	**1,161**			**157,248**	**102,318**		**44,541**	**419**		**-3,040**	**5,943**						**308,590**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	R0140	496			79,927	55,973		20,188	278		4,756	9,030						**170,650**
Net Best Estimate of Premium Provisions	R0150	**665**			**77,320**	**46,345**		**24,352**	**141**		**-7,797**	**-3,087**						**137,940**
Claims provisions																		
Gross	R0160	**767**			**874,443**	**-40,599**		**92,034**	**20,801**		**2,754**	**1,770**						**951,970**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	R0240	261			400,141	-12,566		31,327	5,766		641	640						**426,210**
Net Best Estimate of Claims Provisions	R0250	**506**			**474,302**	**-28,032**		**60,707**	**15,035**		**2,113**	**1,129**						**525,760**
Total Best estimate - gross	**R0260**	**1,929**			**1,031,691**	**61,719**		**136,574**	**21,220**		**-287**	**7,713**						**1,260,559**
Total Best estimate - net	**R0270**	**1,171**			**551,623**	**18,313**		**85,059**	**15,176**		**-5,684**	**-1,958**						**663,700**
Risk margin	**R0280**	12			33,972	1,526		3,138	356		226	208						**39,438**
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290																	**0**
Best estimate	R0300																	**0**
Risk margin	R0310																	**0**
Technical provisions - total																		
Technical provisions - total	**R0320**	**1,940**			**1,065,663**	**63,246**		**139,713**	**21,576**		**-60**	**7,921**						**1,299,997**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**757**			**480,068**	**43,406**		**51,515**	**6,044**		**5,397**	**9,671**						**596,859**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**1,183**			**585,594**	**19,839**		**88,197**	**15,531**		**-5,457**	**-1,750**						**703,138**

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Non-life Insurance Claims Information

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021 Solvency II
Period: Annual
Currency: GBP - Great British Pounds
Category: TO CONSOLIDATE
1 - Accident year
EIOPA QRT: S.19.01

Non-life Insurance Claims Information

Gross Claims Paid (non-cumulative)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											3,711
2012	R0160	346,882	202,129	59,246	39,358	23,979	14,429	5,125	2,439	1,412	426	
2013	R0170	363,638	181,838	46,118	41,724	27,181	15,613	8,579	5,684	6,802		
2014	R0180	386,407	154,810	50,157	43,595	41,244	17,691	6,350	3,142			
2015	R0190	379,749	185,945	49,622	38,366	30,728	14,917	8,251				
2016	R0200	420,455	176,842	45,064	31,050	26,727	18,713					
2017	R0210	421,463	148,082	44,855	30,384	46,373						
2018	R0220	486,338	156,492	35,431	30,841							
2019	R0230	512,629	140,114	38,945								
2020	R0240	413,348	95,577									
2021	R0250	438,028										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	3,711	1,977,837
	R0160	426	695,425
	R0170	6,802	697,176
	R0180	3,142	703,397
	R0190	8,251	707,579
	R0200	18,713	718,851
	R0210	46,373	691,157
	R0220	30,841	709,102
	R0230	38,945	691,689
	R0240	95,577	508,925
	R0250	438,028	438,028
Total	R0260	**690,809**	**8,539,165**

Gross undiscounted Best Estimate Claims Provisions

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											47,215
2012	R0160	0	0	0	0	25,477	12,757	4,638	1,990	559	-186	
2013	R0170	0	0	0	117,422	75,001	35,275	23,207	19,696	7,241		
2014	R0180	0	0	180,714	113,319	46,778	23,441	15,583	13,309			
2015	R0190	0	253,540	210,379	105,220	73,903	36,977	25,619				
2016	R0200	449,014	215,292	137,566	90,481	60,446	50,084					
2017	R0210	433,441	243,019	189,511	158,650	102,669						
2018	R0220	426,718	189,398	163,508	137,423							
2019	R0230	355,773	169,973	122,029								
2020	R0240	299,540	117,110									
2021	R0250	383,300										

		Year end (discounted data)
		C0360
	R0100	42,462
	R0160	-187
	R0170	6,549
	R0180	12,086
	R0190	23,239
	R0200	47,624
	R0210	95,151
	R0220	129,625
	R0230	118,569
	R0240	113,471
	R0250	363,380
Total	R0260	**951,970**

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Solvency II Prepackage Solution

Own funds

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021 Solvency II
Period: Annual
Category: Default Original Amount
Currency: GBP - Great British Pounds
EIOPA QRT: S.23.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	384,908	384,908			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	170,286	170,286			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	4,233				4,233
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	559,427	555,194			4,233
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	559,427	555,194			4,233
Total available own funds to meet the MCR	**R0510**	555,194	555,194			
Total eligible own funds to meet the SCR	**R0540**	559,427	555,194			4,233
Total eligible own funds to meet the MCR	**R0550**	555,194	555,194			
SCR	**R0580**	347,197				
MCR	**R0600**	96,814				
Ratio of Eligible own funds to SCR	**R0620**	161.13%				
Ratio of Eligible own funds to MCR	**R0640**	573.47%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	559,427
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	389,141
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	170,286
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	7,338
Total Expected profits included in future premiums (EPIFP)	**R0790**	7,338

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Solvency II Prepackage Solution

Solvency Capital Requirement - for undertakings on Standard Formula

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021 Solvency II
Period: Annual
Category: Solvency II: Solo Purpose
Currency: GBP - Great British Pounds
EIOPA QRT: S.25.01

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	120,216		
Counterparty default risk	R0020	10,961		
Life underwriting risk	R0030	3,166		
Health underwriting risk	R0040	332		
Non-life underwriting risk	R0050	262,627		
Diversification	R0060	-76,196		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**321,105**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	38,123
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-12,031
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	347,197
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	347,197
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	2 - No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	-12,031
LAC DT justified by reversion of deferred tax liabilities	R0650	
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	-12,031
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	-50,983

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Solvency II Prepackage Solution

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

Entity: LVIC - Liverpool Victoria Insurance Company Limited
Scenario: 2021 Solvency II
Period: Annual
Category: Solvency II: Solo Purpose
Currency: GBP - Great British Pounds
EIOPA QRT: S.28.01

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

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	1,171	1,152
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	551,623	215,221
Other motor insurance and proportional reinsurance	R0060	18,313	135,637
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	85,059	61,807
General liability insurance and proportional reinsurance	R0090	15,176	581
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		11,938
Assistance and proportional reinsurance	R0120		29,673
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities: Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	21,866	
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	96,354	
MCRL Result	R0200		459

Overall MCR calculation

		C0070
Linear MCR	R0300	96,814
SCR	R0310	347,197
MCR cap	R0320	156,239
MCR floor	R0330	86,799
Combined MCR	R0340	96,814
Absolute floor of the MCR	R0350	3,126

		C0070
Minimum Capital Requirement	**R0400**	**96,814**