COMPANY REGISTRATION NUMBER: 01799209

LV PROTECTION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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CONTENTS

LV PROTECTION LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

A W Snow		
M P Hartigan	Appointed 15 June 2020	
A M Parsons		Resigned 30 November 2019
J T Perks		Resigned 25 February 2019
R A Rowney	Appointed 10 May 2019	Resigned 31 December 2019

Company Secretary
M P Jones

Registered Office
County Gates
Bournemouth
Dorset
BH1 2NF
Telephone: 01202 292333
Fax: 01202 751825

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
7 More London Riverside
London
SE1 2RT

1. Results and dividends

The profit for the year after taxation is £2,588 (2018: £130,024) as set out on page 14. The Directors have not proposed or paid any dividends in the current year (2018: £nil). Net assets of the company were £4,109,349 at 31 December 2019 (2018: £4,106,761)

2. Principal activities

During 2014 LV Protection Limited (the "Company") obtained permissions from the Prudential Regulation Authority (PRA) to underwrite unemployment insurance as part of a combined policy offered by Liverpool Victoria Financial Services Limited (formerly Liverpool Victoria Friendly Society Limited), (LVFS). This underwriting activity commenced on 1 January 2015. On 31 May 2017 new business sales were suspended pending a review of market opportunities and further in-house system development and no new business has been written since.

3. Business review and future prospects

The results for the Company and its financial position are set out in the financial statements that follow this report. During 2019 the claims performance experienced by LV Protection Limited (LVPL) improved but year end reserves were strengthened which increased the loss ratio. There are no current plans to commence new business sales in the immediate future. The Company will continue to service its in in-force book.

A number of legal and regulatory developments affected the UK insurance market during 2018 and continued into 2019. These include:

Capital

The Directors monitor the solvency of the Company and externally monitor and review all developments and impacts to the solvency and capital management processes of both insurance companies and regulators. The Company used the Standard Formula to calculate its capital requirements throughout 2019.

FCA market intervention

The FCA has made its intention public to intervene more actively in the workings of the market where it feels that the right outcomes are not being achieved for the consumer (e.g. consultation over ancillary fees and price comparison websites). This may result in requirements to change practice in product design, distribution and pricing. While the Company considers that customer value is at the heart of the way it does business, as evidenced by market leading customer satisfaction and recommendation scores, there is a risk that such interventions designed to address general market concerns cause incidental cost and disruption to the Company.

Further detail as to how the Company manages its principal types of risk is disclosed in note 4 of the financial statements.

The Company's main purpose was to provide unemployment insurance as part of a combined policy offered by LVFS. The Company's strategy is to service existing policyholders in a profitable manner in 2020 while retaining its focus on high levels of customer service and delivering fair customer outcomes. The Company is currently closed to new business.

4. Key performance indicators

The Board sets key performance indicators (KPIs) and targets which it monitors throughout the year. The key metrics routinely used are the loss ratio, expense ratio and the resulting combined ratio.

In 2019 LVPL has achieved a loss ratio of 61.6% and an expense ratio of 51.3% giving an overall combined ratio of 113.0%. In 2018, it achieved a loss ratio of 24.7% and an expense ratio of 18.8% giving an overall combined ratio of 43.5%.The change in performance is due to improved claims experience offset by lower reinsurance recoveries due to the lower volume but higher value of claims in 2019 and the capped nature of the reinsurance treaty. There is also a small credit to acquisition expenses of £11,000 reflecting amounts due from LVFS in relation to commission costs for certain historic cancelled policies.

5. Principal risks and uncertainties

The Company operates in a regulated environment and maintains a high quality control environment over its activities. The Board monitors all risks throughout the year and executes its strategy where practicable to reduce its exposure to different types of risk. There is limited exposure to market risk since all assets currently invested to back the insurance liabilities in LVPL are cash and deposits. The Company is also subject to lapse risk since policies are unilaterally cancellable by policyholders.

Brexit

LV= remains exposed to political risk from Brexit as it is implemented during 2020. The UK's exit from the EU continues to create uncertainty in both the financial markets and the UK economy as a whole. This is expected to continue through 2020, leading to market volatility in investment returns, inflation, and the value of sterling, along with weakened consumer confidence. The UK's exit from the EU in itself is not expected to have a materially adverse impact on our business strategy as we operate solely in the UK and are currently closed to new business.

Coronavirus

The emergence of the Coronavirus represents a new uncertainty for 2020. At the time of writing the continued presence of the virus in the UK and the impact of ongoing government action have created uncertainty within the economy. During the first half of 2020 the LV= Group developed and put in place contingency plans to minimise business disruption. Our primary focus remains the safety of LV= Group staff and ensuring that we continue to provide a high quality service for our customers. Current indications are that the operational resilience of the business remains strong. Priority is being given to the needs of our existing customers and we fully expect to be able to meet all of our policyholder liabilities. We are also working closely with our asset managers during what is likely to be a prolonged period of increased market volatility

Further information on the entity's financial risk management and policies is detailed within note 4.

6. S172 disclosure statement

The revised Code encourages that the interests of stakeholders and the directors' duties set out in section 172 of the Companies Act 2006 (s.172), are considered in board discussions and decision-making. During 2019, the Company was a subsidiary of Liverpool Victoria Friendly Society Limited (which converted on 2 January 2020 to Liverpool Victoria Financial Services Limited (LVFS) a company limited by guarantee). The LVFS board discussed and considered its key stakeholders, including its members, employees, suppliers and the regulators when making strategic and commercial decisions at the Group level. The approach to the consideration of key stakeholders at Board level is mirrored by the subsidiary companies. The LVFS Subsidiaries Board is a collective board which has oversight of all wholly owned subsidiaries in the Group. It meets regularly to monitor and consider the performance, risk, outlook and strategy of each of the companies. The individual considerations of the s.172 requirements are also covered below:

a) The likely consequences of any decision in the long term:

The Company is closed to new business and continues to service existing policyholders and there were no major transactions or decisions made in the year to change the on-going operations of this company.

b) The interests of the company's employees:

There are no employees within the Company and all staff costs, management and decision making is undertaken by LVFS in line with group HR policies. Any staff costs are recharged back to the Company on a proportionate allocation

c) The need to foster the company's business relationships with suppliers, customers and others:

The policies of the Company are administered by LVFS and a charge is made to the Company from LVFS for these services. As such, the relationships with the customers are developed through LVFS in line with the customer and member strategy and kept at the heart of every decision.

d) The impact of the company's operations on the community and the environment:

As a part of a larger group of companies, the consideration of the impact on the community and environment is taken at Group level and is attested to in the Report and Accounts of the ultimate parent company, LVFS.

e) The desirability of the company maintaining a reputation for high standards of business conduct, and (f) the need to act fairly as between members of the company:
The Company, as a subsidiary of LVFS, adopts the values of its parent company in its operations. The values, Courageous, Curious, Inclusive and Trusted have been developed to ensure high standards of business conduct, to be responsible and keep members at the heart of every decision, always strive for better and make every voice heard.

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON BEHALF OF THE BOARD

A W Snow
Director
29 July 2020

The directors submit their annual report and the audited financial statements for LV Protection Limited (the 'Company') for the year to 31 December 2019.

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

- Results and dividends;
- Principal activities of the Company;
- Business review and future prospects;
- Principal risks and uncertainties.

Further information on the on the management of financial risk can be found in note 4.

1. Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 3.

2. Employees
The Company does not directly employ any staff as it utilises the staff and premises of Liverpool Victoria Financial Services Limited in carrying out its activities.

3. Directors' indemnity statement
The Directors have the benefit of an indemnity which constitutes a "qualifying third party indemnity provision" as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. LVFS, the ultimate parent company, also purchased and maintained throughout the year on behalf of its subsidiaries Directors' and Officers' liability insurance in respect of LVPL and its Directors. It is available for inspection at the registered office of LVPL details of which are provided on page 3.

4. Statement of Directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

5. Independent auditors and disclosure of information to auditors

In the case of each Director at the date of this report, they confirm that:

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

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED BY ORDER OF THE BOARD

M P Jones
Company Secretary
29 July 2020

Report on the audit of the financial statements

Opinion

In our opinion, LV Protection Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

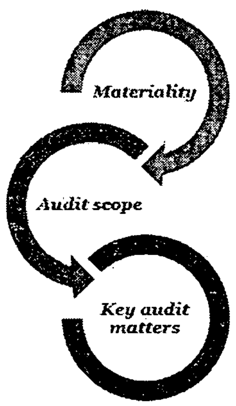
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall materiality: £51,900 (2018: £53,200), based on 1% of total assets.

- We scope the audit, based on materiality, by financial statement line item. As there are no branches or other locations no scoping by location is performed.

- The valuation of deferred acquisition costs ('DAC asset').
- The valuation of the general insurance claims liabilities.
- The impact of COVID-19 on management's going concern assertion.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

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

Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Prudential Regulation Authority's regulations and UK tax and other legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to either increase or reduce insurance contract premium revenue, or increase or reduce expenditure of the company and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Reviewing Board minutes and correspondence between the Liverpool Victoria Financial Services Limited (formerly Liverpool Victoria Friendly Society Limited) Group and the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') in relation to compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations such as a credit to insurance contract premium revenue and a debit to the statement of financial position (other than to expected accounts, being insurance receivables and cash), or posted by a Director of LV Protection Limited; and
- Procedures relating to the valuation of deferred acquisition costs and the valuation of general insurance claims liabilities described in the related key audit matters below.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
The valuation of deferred acquisition costs ('DAC asset') (£139,886 (2018: £293,908)) *Refer to note 12 to the financial statements* Under its accounting policies, the company defers the direct costs of acquiring business as an asset in the statement of financial position to be released over the period of time the company expects to recognise economic benefits from that business. These direct costs are charged to the company by its parent company, Liverpool Victoria Financial Services Limited (formerly Liverpool Victoria Friendly Society Limited) ('LVFS'), who administer the unemployment product (as part of a wider product offering) on behalf of the company. When policies are cancelled the company is notified by LVFS and the remaining DAC asset is written off, with the full amount of the direct costs originally incurred being reimbursed from LVFS. We consider this a key audit matter as the cancellation of policies results in a material credit to the DAC asset which is released to the income statement with a corresponding credit recognised in the income statement in relation to the reimbursement of the commission costs from LVFS, and the period over which the DAC asset is amortised is judgemental, being based on assumptions surrounding the average lapse rate of policies using historical data.	We have obtained management's calculation of the year end DAC asset and performed the following procedures to obtain comfort that cancelled policies had been appropriately accounted for within the calculation; • Tested a sample of policies to confirm that their status within the calculation, being either active or cancelled, was correct; • As the company's book is a closed book, we performed a comparison of the list of policies used as the basis for the calculation in the prior year to that used in the current year, investigating any discrepancies; and • We performed a recalculation of the credit to DAC asset as a result of the cancelled policies. We also performed the following procedures to obtain comfort that the amortisation period was appropriate: • Assessed the reasonableness of the amortisation period through comparison to the average lapse rate of policies based on historical data, noting that the amortisation period was more prudent. There were no findings from our work which indicate that the calculations do not support the valuation of the DAC asset and the associated amortisation period.
The valuation of the general insurance claims liabilities (£92,276 (2018: £26,290))	We have obtained management's calculation of the year end general insurance claims liabilities and performed the

Key audit matter	*How our audit addressed the key audit matter*
Refer to note 18 to the financial statements The financial statements include liabilities for the estimated cost of settling general insurance claims. We consider this a key audit matter as it involves assumptions in relation to the average claim period which have a direct material impact on the valuation of the provision.	following procedures: • Performed look-back testing on prior year open claims to assess how they developed over the year to 31 December 2019; • Recalculated average claims durations for all actual claims history and performed sensitivity analysis over management's assumption of average claim duration; • Obtained post year-end data to the date of signing the financial statements to assess the sufficiency of the liabilities against actual claims development; and • Evaluated management's assumptions around how such claims will develop further post the signing of the financial statements. Based on the work performed above we found that the calculations support the valuation of the general insurance claims liabilities.
The impact of COVID-19 on management's going concern assertion *Refer to note 26 to the financial statements* The impact of the COVID-19 pandemic is considered to be a non-adjusting post balance sheet event. Having assessed the impact of COVID-19 on the Company, management have prepared the financial statements on the basis that the Company is a going concern and believe this assumption remains appropriate. In considering whether the Company can meet its obligations as they fall due, management have considered the Company's current operational resilience and key financial impacts, in particular in relation to financial assets held and insurance contract liabilities. Given the uncertainty caused by the pandemic, we consider this to represent an area of management judgement.	Our work over management's assessment of the impact of COVID-19 on the Company's going concern assumption included our understanding and evaluation of management's assessment. We performed the following procedures: • We have understood the impact to date that the virus has had on the operations of the Company, noting that the impact on the Company has been minimal given its size relative to the wider LVFS Group and that the Company is currently closed to new business and therefore only servicing existing customers; • We have reviewed all correspondence with the PRA and FCA discussing the response to the pandemic; • We have obtained unaudited investment reports and internal allocation spreadsheets to support the valuation of fair value through income investments up to the date of signing the financial statements, and note that the assets of the Company continue to be far in excess of the liabilities; • We have obtained from claims management a listing of claims notifications up to the date of signing the financial statements to assess the level of claims notified year to date versus the prior year; and • We have assessed the disclosures made by management in the financial statements and checked consistency with our knowledge of the Company based on our audit. The evidence obtained supports management's use of the going concern assertion for the Company and we found that the related disclosures in relation to the impact of COVID-19 are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£51,900 (2018: £53,200).
How we determined it	1% of total assets.
Rationale for benchmark applied	The Company is closed to new business and seeks to maintain an asset position that provides sufficient solvency and cover over its liabilities, and thus total assets is considered an appropriate benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,595 (2018: £2,650) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 29 May 2008 to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. For the audit periods commencing 1 January 2011 through 31 December 2013, the Company received an audit exemption and therefore no audit procedures were performed by us. We recommenced our position as the auditors for the year ended 31 December 2014 and have resumed uninterrupted for the 6 years ended 31 December 2019.

Andrew Hill (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29July 2020

LV PROTECTION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Insurance contract premium revenue	5	**285,434**	343,421
Insurance contract premium ceded to reinsurers	5	**(83,303)**	(96,147)
Net premium revenue		**202,131**	247,274
Investment income	6	**29,406**	20,747
Total income		**231,537**	268,021
Insurance claims and loss adjustment expenses	7	**(238,759)**	(177,457)
Insurance claims and loss adjustment expenses recoverable from reinsurers	7	**114,177**	116,377
Net insurance claims		**(124,582)**	(61,080)
Other operating and administrative expenses	8	**(103,760)**	(46,418)
Total claims and expenses		**(228,342)**	(107,498)
Profit before tax		**3,195**	160,523
Income tax charge	11	**(607)**	(30,499)
Profit for the year		**2,588**	130,024
Total comprehensive income for the year		**2,588**	130,024

All results shown above are in relation to continuing operations.

The notes on pages 18 to 38 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company			
		Share capital	**Accumulated losses**	**Capital reserve**	**Total equity**
	Note	**£**	**£**	**£**	**£**
Balance at 1 January 2019		**1,000,000**	**(893,239)**	**4,000,000**	**4,106,761**
Profit and total comprehensive income for the year	24	**-**	**2,588**	**-**	**2,588**
Balance at 31 December 2019		**1,000,000**	**(890,651)**	**4,000,000**	**4,109,349**

		Attributable to equity holders of the Company			
		Share capital	Accumulated losses	Capital reserve	Total equity
		£	£	£	£
Balance at 1 January 2018		1,000,000	(1,023,263)	4,000,000	3,976,737
Profit and total comprehensive income for the year	24	-	130,024	-	130,024
Balance at 31 December 2018		1,000,000	(893,239)	4,000,000	4,106,761

The notes on pages 18 to 38 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Assets			
Deferred acquisition costs	12	**139,886**	293,908
Financial assets			
- Fair value through income	13	**4,028,000**	3,827,000
Loans and other receivables	14	**-**	34,225
Reinsurance assets	15	**284,020**	285,581
Insurance receivables	16	**728,726**	867,120
Cash and cash equivalents	17	**9,743**	9,810
Total assets		**5,190,375**	5,317,644
Liabilities			
Insurance contract liabilities	18	**821,002**	893,410
Current tax liability	19	**607**	30,499
Insurance payables	20	**239,168**	279,558
Trade and other payables	21	**20,249**	7,416
Total liabilities		**1,081,026**	1,210,883
Equity			
Share capital	22	**1,000,000**	1,000,000
Capital reserve	23	**4,000,000**	4,000,000
Accumulated losses	24	**(890,651)**	(893,239)
Total equity		**4,109,349**	4,106,761
Total liabilities and equity		**5,190,375**	5,317,644

The notes on pages 18 to 38 are an integral part of the financial statements.

The financial statements on pages 14 to 38 were approved by the Board of Directors on 29 July 2020.

Signed on behalf of the Board of Directors

A W Snow
Director

LV PROTECTION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Cash and cash equivalents at 1 January	17	**9,810**	10,274
Cash flows arising from:			
Operating activities			
Cash generated from operating activities	25	**202,026**	194,212
Net increase in investments at fair value through income	13	**(201,000)**	(269,000)
Interest income received	6	**29,406**	20,747
Group relief (paid) / received	19	**(30,499)**	53,577
Net cash flows used in operating activities		**(67)**	(464)
Net decrease in cash and cash equivalents		**(67)**	(464)
Cash and cash equivalents at 31 December	17	**9,743**	9,810

The notes on pages 18 to 38 are an integral part of the financial statements.

1. General information

LV Protection Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom. The Company underwrites unemployment insurance as part of a combined policy offered by Liverpool Victoria Financial Services Limited (LVFS).

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee as published by the International Accounting Standards Board and adopted by the European Union (EU). In addition the financial statements comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

IFRS 4 Insurance Contracts permits the continued application, for income statement presentation and liability measurement purposes, of accounting policies that were being used at the date of transition to IFRS, except where a change is deemed to make the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable, and no less relevant to those needs. As such, the accounting for insurance and participating investment contracts continues to be in accordance with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005, and amended in December 2006 and withdrawn in December 2015. Further details are given within accounting policies within note 2.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value. Items included in the financial statements are measured using the currency of the primary economic environment (the 'functional currency') which is sterling. Unless otherwise noted, the financial statements are presented in sterling (the 'presentation currency').

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the note below.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying accounting policies, management has made the following judgements, estimations and assumptions which have the most significant effect on the financial statements.

Deferred Acquisition costs ('DAC')

The costs of acquiring new business, which are incurred during the financial year, but where the benefit of such costs will be obtained in subsequent accounting periods, are deferred and recognised as an asset to the extent that they are recoverable out of margins in future matching revenues. All other costs are expensed when they are incurred.

When a deferred acquisition cost asset is created, the rate of amortisation of that asset is consistent with a prudent assessment of the expected pattern of receipt of the relevant future margins over the period in which the contracts concerned are expected to remain in force. It has been decided that a prudent approach is to defer acquisition costs over a period of 5 years on a straight line basis.

1. General information (continued)

Insurance contract liabilities

For all general insurance contracts estimates are made for the expected ultimate cost of claims as at the Statement of Financial Position date. General insurance claims liabilities held by the Company at the end of the period are a reasonable estimation of the current claim costs based on the monthly claim value and anticipated duration. The unemployment claims within LVPL have a time limit of 12 months per claim as set in the policy terms and conditions and not all claims run for the full period the policy allows. A judgement is made on the duration of the claim based on historic experience.

2. Accounting policies

Premiums

Earned premium is written premium adjusted for unearned premium. Unearned premium is that proportion of a premium written in a year that relates to periods of risk after the Statement of Financial Position date adjusted for lapses. Unearned premiums are calculated on a time apportionment basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Investment income

Investment income includes dividends and interest from investments at fair value through income. Dividends are included on an ex-dividend basis. Interest receivable from investments at fair value through income is accounted for on an accruals basis. Investment expenses are accounted for as incurred.

Financial assets at fair value through income

Investments are classified as fair value through income where they are held for trading or designated as fair value through income at inception. Financial assets designated at fair value through income at inception are part of a group of financial assets that are managed and their performance evaluated and reported to the board on a fair value basis in accordance with the documented investment strategy.

Such assets are measured at market prices, or prices consistent with market ratings should no price be available. Day one gains or losses are recognised only where valuations use data from observable markets. Any unrealised or realised gains or losses are taken to the Statement of Comprehensive Income, as fair value gains or losses, or realised gains or losses respectively, as they occur.

Loans and other receivables

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

An assessment is performed at each Statement of Financial Position date whether there is any indication that a loan or receivable, or a group of loans or receivables, is impaired. Where there is objective evidence that the carrying value is impaired then the impairment loss will be recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

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

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

Acquisition costs

In respect of insurance contracts, acquisition costs comprise direct and indirect costs incurred in writing new contracts. The costs relating to the acquisition of the contract are deferred and then amortised over the period in which the contracts concerned are expected to remain in force. For any policies that are cancelled, the full commission amount is clawed back from LVFS.

2. Accounting policies (continued)

Liability adequacy test
At each Statement of Financial Position date liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of related deferred acquisition costs. In performing these tests current best estimates of future contractual cash flows and claims handling and administration expenses as well as investment income from the assets backing such liabilities are used. Any deficiency/excess is immediately charged/(released) to the Statement of Comprehensive Income and an unexpired risk reserve established.

Reinsurance assets
The Company transfers certain risks arising on its underlying insurance contracts through entering into contracts to reinsurers. Such contracts are classified as reinsurance contracts within the scope of IFRS 4 where significant insurance risk is transferred from the Company to the reinsurer. Reinsurance assets are the net contractual rights arising from cashflows due from and to reinsurers regarding ceded insurance liabilities. Amounts are estimated in a consistent manner with the gross reserves of the underlying policies and in accordance with the relevant reinsurance contract.

An impairment review is performed at the Statement of Financial Position date. Impairment occurs when there is evidence that the Group will not recover outstanding amounts under the contract, such losses being recorded immediately in the Statement of Comprehensive Income.

Income taxes
The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses.

Income tax credit/(expense)
Income tax expense recorded in the Statement of Comprehensive Income represents the current year corporation tax credit or charge. Corporation tax is calculated on trading profits or losses arising in the year.

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

Insurance receivables and payables
Insurance receivables and payables are recognised when due and include amounts due from or to policyholders, agents, brokers and reinsurers.

Insurance receivables and payables are initially recognised at fair value and subsequently held at amortised cost. Where there is objective evidence that the carrying value of insurance receivables is impaired then the impairment loss will be recognised in the Statement of Comprehensive Income.

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

2. Accounting policies (continued)

Claims and insurance contract liabilities
Claims incurred comprise claims paid in the year and changes in the provisions for outstanding claims. Where applicable, deductions are made for recoveries from other parties. A separate asset is recognised for reinsurance recoveries which are accounted for in the same period as the related claim.

Provision is made for the estimated cost of claims incurred but not settled. The estimated cost of claims includes the expected value of recoveries. However, given the inevitable uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Provisions are adjusted at the Statement of Financial Position date to represent a best estimate of the expected outcome.

Outstanding claims are estimated using past and current claims experience. This is continually reviewed to ensure that the provision for outstanding claims is sufficient based on the claims history and appropriate amendments to the methodology are made. Allowance for one off occurrences or changes in legislation, policy conditions or portfolio mix, is also made in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, taking account of all the uncertainties involved. To the extent that the ultimate cost is different from the estimate, where experience is better or worse than that assumed, the surplus or deficit will be credited or charged to the Statement of Comprehensive Income in future years.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share of the provision.

Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets.

CHANGES IN ACCOUNTING POLICIES

(i) New and amended standards and interpretations adopted by the Company

The following new and amended standards and interpretations that have been adopted by the EU for accounting periods beginning on or after 1 January 2019 have been adopted by the Company.

New standards and interpretations

IFRS 16 'Leases'
As no leases existed on adoption of IFRS 16, the adoption of this standard has had no impact on the Company.

Other than as set out above, no new or amended accounting standards and interpretations were adopted for the 2019 financial year.

(ii) New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following.

2. Accounting policies (continued)

New standards and interpretations

IFRS 17 'Insurance contracts'
IFRS 17 replaces IFRS 4 'Insurance contracts' and provides a new accounting model for insurance contracts that aims to be more useful and improve consistency across insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach for short-duration contracts.

The standard will have a material impact on the Company and transitioning to the new standard will require significant effort. The effective date of IFRS 17 is currently 1 January 2021; however the IASB has proposed to extend this to 1 January 2022. During 2020 the LVFS Board will consider the option to convert to UK GAAP in line with our peers in the mutual sector as we move towards a standalone UK-based life, pensions and investment business.

IFRS 9 'Financial instruments'
IFRS 9 replaces IAS 39 'Financial instruments' and addresses the classification, measurement and recognition of financial assets and financial liabilities. This standard was effective date from 1 January 2018; however the Company continues to apply the temporary exemption from IFRS 9 until adoption of IFRS 17.

Compliance with the criteria for the temporary exemption from IFRS 9
The IFRS 4 amendment adopted in 2018 permits insurance entities which meet the predominance ratio test to have a temporary exemption from IFRS 9 where this standard has not yet been adopted. The predominance ratio test is required to be performed at the reporting entity level, using the annual reporting date that immediately precedes 1 April 2016 (i.e. 31 December 2015).

The predominance ratio test of an entity's insurance liabilities against its total liabilities includes two tests:
1) The carrying amount of its liabilities arising from contracts within IFRS 4's scope must be significant compared to the total carrying amount of all of its liabilities; and
2) The carrying amount of the insurer's liabilities connected with insurance compared with the total carrying amount of all of its liabilities must be above a threshold. Liabilities connected with insurance include IFRS 4 liabilities, Investment contract liabilities measured at fair value through income (FVTI) applying IAS 39 and other liabilities that are connected to these insurance and investment contracts.

The threshold for liabilities connected with insurance compared with total liabilities is:
- Greater than 90%, or
- Greater than 80% but less than or equal to 90% and the entity provides evidence that it does not have a significant activity that is unrelated to insurance.

The Company meets the criteria to apply the temporary exemption from IFRS 9 as the predominance ratio test is passed based on the 31 December 2015 financial statements. The carrying value of liabilities within IFRS 4's scope at 31 December 2015 was significant at 68% of total liabilities. The 90% threshold for liabilities connected with insurance is passed once intercompany payables relating to the cost of administering insurance contracts were included as liabilities connected with insurance.

No subsequent reassessment of the predominance ratio test is required; however the liabilities within IFRS 4's scope and those connected with insurance at 31 December 2019 continue to exceed 90% of total liabilities. Relevant disclosures to facilitate comparison with companies which have adopted IFRS 9 are included in the Financial assets note.

2. Accounting policies (continued)

Amendments to standards and interpretations

Amendments to existing standards that will be effective in future years are not expected to have a material effect on the financial statements and include:

- Amendments to references to Conceptual Framework in IFRS standards.
- Definition of material (Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors').

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

3. Capital Management

The Company maintains a capital structure which consists of a combination of equity and borrowings, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company retains capital to meet four key objectives:

(i) To ensure financial stability;
(ii) To enable the Company's strategy to be implemented;
(iii) To give confidence to policyholders and other stakeholders who have relationships with the Company; and
(iv) To comply with capital requirements imposed by its UK regulator, the Prudential Regulatory Authority ('PRA').

At least annually, these objectives are reviewed 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. In the event that sufficient capital is not available, plans would be developed either to raise additional capital through, for example, subordinated loans, or to reduce the amount of risk accepted thereby reducing the capital requirement through, for example, reinsurance or a change in investment strategy. If it becomes apparent that excess capital is available to the Company above its potential needs, plans would be developed to return such excess to shareholders.

2016 marked the beginning of the Solvency II regime, an EU imposed legislation, which for UK firms replaces the ICAS regime. There are again two separate capital requirements; the Minimum Capital Requirement ('MCR') and the Solvency Capital Requirement ('SCR'). The SCR can be calculated using a Standard Formula, as specified in the regulatory text, or an Internal Model, which is unique to each firm and must be approved by the firm's local regulator. The Company used the Standard Formula to calculate its capital requirements throughout 2018 and 2019.

As at 31 December 2019, the Company held regulatory capital of £4,099,830 (2018: £3,980,434).

The Company complied with all externally imposed capital requirements that it was subject to throughout the reporting period.

4. Risk management and control

The principal types of risk, which are detailed below, have been identified and risk appetite for each of these has been set by reference to the PRA's Solvency II capital requirements.

The Company recognises the critical importance of having efficient and effective risk management systems in place and these take the form of:

- Board and Executive committees with clear terms of reference.
- A clear organisation structure with documented apportionment of responsibilities.
- A uniform methodology of risk assessment, which is embedded within all companies in the LVFS Group so that they operate within agreed tolerances and with appropriate controls in place.
- A statement of Risk Strategy and Appetite, which is reviewed annually and adopted by the Directors.
- Regular reviews of risks by senior managers, where frequency of review is determined by the potential impact of the risk and its likelihood.

Insurance risk

The Company's insurance activities are primarily concerned with the pricing, accepting and management of risks from its policyholders. In accepting risks the Company commits to paying claims and therefore these risks must be understood. The Company manages these risks through its underwriting strategy, reinsurance arrangements and proactive claims handling.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is the risk that actual claims exceed the carrying value of the Company's claims reserves. The risk arises from the inherent uncertainties as to the occurrence, amount and timing of insurance claims. For general insurance contracts this is primarily represented by exposure to risks which may lead to significant claims in terms of frequency or value. There is also a risk that the prices charged for unexpired risks to which the Company is contractually committed may prove to be insufficient to absorb the cost of the claims which they will generate and any related DAC. Procedures are in place to measure, monitor and control exposure to all these risks.

The Company has Quota Share reinsurance contracts which reduce the Company's exposure to claims.

The insurance risk is concentrated to a single product being unemployment insurance. Given the nature of the product and the terms of the policies, the impact on profit or loss and equity, as a result of reasonable changes in assumptions is considered not to be material.

Market risk

Market risk is the risk of adverse or favourable impacts due to fluctuations in bond yields, equity prices, interest rates, or exchange rates. The Company has defined policies and procedures in place to control the major components of market risk. Exposures to individual companies and to equity shares in aggregate are monitored by Investment and Asset & Liability Committees in order to ensure compliance with the relevant regulatory limits for solvency purposes and with guidelines set for each internal fund. Securities held are primarily listed and traded on recognised stock exchanges, predominantly in the UK.

Limits on the Company's exposure to equities are defined both in aggregate terms and by geography, industry and counterparty. The level of investment holdings is reviewed quarterly by the Board's Investment Committee. Tactical asset allocation meetings are held monthly or more regularly if required, and strategic asset allocation meetings quarterly, to discuss investment return and concentration and to agree any changes required.

4. Risk management and control (continued)

Summary of market risk
The table below sets out the impact on profit before tax and equity for movements in sectors of the market in which the Company is invested.

Sensitivity analysis to movements in key market sectors	**2019** Increase / (decrease) in profit before tax	**2019** Increase / (decrease) in equity	2018 Increase / (decrease) in profit before tax	2018 Increase / (decrease) in equity
	£	**£**	£	£
Reduction in fixed interest rates to 0%	**(29,406)**	**(29,406)**	(20,747)	(20,747)
Increase in fixed interest rates by 1%	**475,515**	**475,515**	436,479	436,479

Currency risk
The Company is not exposed to foreign exchange risk.

Credit risk
Credit risk is the risk that a counterparty fails to meet its contractual obligations in full as they fall due, resulting in a financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio and reinsurance programme and amounts due from insurance intermediaries and policyholders.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments.

Investments are primarily allowed only in liquid securities and with counterparties that have a credit rating equal to investment grade or better. Given their high credit ratings Management does not expect any counterparty to fail to meet its obligations. Counterparty exposure is subject to regular review.

The Company's exposure to credit risk by investment grade is summarised below:

	AAA	**AA**	**A**	**BBB**	**Below BBB**	**Not rated**	**Total**
Credit risk exposure 2019	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Shares, other variable yield securities and units in unit trusts	**4,028,000**	**-**	**-**	**-**	**-**	**-**	**4,028,000**
Cash and cash equivalents	**-**	**-**	**9,743**	**-**	**-**	**-**	**9,743**
Total exposure	**4,028,000**	**-**	**9,743**	**-**	**-**	**-**	**4,037,743**

	AAA	AA	A	BBB	Below BBB	Not rated	Total
Credit risk exposure 2018	£	£	£	£	£	£	£
Shares, other variable yield securities and units in unit trusts	3,827,000	-	-	-	-	-	3,827,000
Loans and other receivables	-	-	-	-	-	34,225	34,225
Cash and cash equivalents	-	-		9,810	-	-	9,810
Total exposure	3,827,000	-	-	9,810	-	34,225	3,871,035

4. Risk management and control (continued)

Any unrealised or realised gains or losses are taken to the Statement of Comprehensive Income, as fair value gains or losses, or realised gains or losses respectively, as they occur.

The tables below provides information regarding the maximum credit risk exposure to financial assets, together with the extent to which they are due, overdue and impaired. The table also shows the age analysis of the Company's past due and/or impaired assets.

Age analysis of assets past due/impaired 2019	<31 days	31 to 60 days	61 to 90 days	>90 days	Total past due but not impaired	Past due and impaired	Neither past due nor impaired	Total
	£	£	£	£	£	£	£	£
Insurance receivables	-	-	-	-	-	-	728,726	728,726
Reinsurers' share of claims outstanding	-	-	-	-	-	-	44,852	44,852

Age analysis of assets past due/impaired 2018	<31 days	31 to 60 days	61 to 90 days	>90 days	Total past due but not impaired	Past due and impaired	Neither past due nor impaired	Total
	£	£	£	£	£	£	£	£
Insurance receivables	-	-	-	-	-	-	867,120	867,120
Reinsurers' share of claims outstanding	-	-	-	-	-	-	6,023	6,023
Loans and other receivables	-	-	-	-	-	-	34,225	34,225

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient available liquid assets to meet its obligations as they fall due. Sources of liquidity risk have been identified and systems are in place to measure, monitor and control liquidity exposures. Liquidity is maintained at a prudent level, with a buffer to cover contingencies including the provision of temporary liquidity to subsidiary companies.

The table below summarises the expected recovery or settlement of assets:

	2019			2018		
Maturity profile of financial assets	**Within 1 year**	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
	£	£	£	£	£	£
Financial Assets						
- Fair value through income	4,028,000	-	4,028,000	3,827,000	-	3,827,000
Loans and other receivables	-	-	-	34,225	-	34,225
Reinsurers' share of claims outstanding	44,852	-	44,852	6,023	-	6,023
Insurance receivables	261,939	466,787	728,726	309,507	557,613	867,120
Cash and cash equivalents	9,743	-	9,743	9,810	-	9,810
	4,344,534	466,787	4,811,321	4,186,565	557,613	4,744,178

4. Risk management and control (continued)

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted obligations:

Maturity profile of financial liabilities 2019	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
	£	**£**	**£**	**£**	**£**
General insurance contract liabilities	**92,276**	**-**	**-**	**-**	**92,276**
Insurance payables	**239,168**	**-**	**-**	**-**	**239,168**
Trade and other payables	**20,249**	**-**	**-**	**-**	**20,249**
	351,693	**-**	**-**	**-**	**351,693**

Maturity profile of financial liabilities 2018	Within 1 year	1-3 years	3-5 years	Over 5 years	Total
	£	£	£	£	£
General insurance contract liabilities	26,290	-	-	-	26,290
Insurance payables	279,558	-	-	-	279,558
Trade and other payables	7,416	-	-	-	7,416
	313,264	-	-	-	313,264

Group risk
Group risk is the risk of contagion incurred from its membership of a group of firms. The LVFS Group Executive Risk Committee oversees the management of such risks.

The Company has not identified any significant group risks.

Operational risk
Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events, including legal and regulatory risk.

Senior managers are responsible for the identification, assessment, control and monitoring of operational risks and for reporting these to the Risk Committee in accordance with the Company's escalation criteria. Operational risks are assessed in terms of their probability and impact in accordance with Company policy.

Strategic risk
Strategic risk is the risk arising from ineffective, inefficient, or inadequate senior management process for the development and implementation of business strategy in relation to the business environment and the company's capabilities.

The strategic risks of the business are assessed and managed by the business risk committees which then report these and other significant risks to the LVFS Group Executive Risk Committee, where the risks are reviewed and challenged. The LVFS Chief Risk Officer reports on a group basis all strategic risks to the LVFS board's risk committee.

4. Risk management and control (continued)

Fair value estimation

The following fair value estimation table presents the Company's assets and liabilities measured at fair value by level of the fair value measurement hierarchy at 31 December 2019.

The fair value of financial instruments included in the level 1 category below are based on published quoted bid market prices in an active market at the year-end date. A market is regarded as an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

There were no Level 2 or Level 3 financial instruments.

There were no changes to the valuation techniques during the year.

There were no transfers between levels 1 and 2 during the year.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Any changes to fair value are recognised within net gains/losses on investments within the Statement of Comprehensive Income with the exception of investment contract liabilities where the movement is recognised within the gross change in contract liabilities.

The following table presents the Company's assets and liabilities measured at fair value at 31 December:

	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£	£	£	£	£	£	£	£
Fair value through income								
Shares, other variable yield securities and units in unit trusts	4,028,000	-	-	4,028,000	3,827,000	-	-	3,827,000
	4,028,000	-	-	4,028,000	3,827,000	-	-	3,827,000

5. Net premium revenue

	2019	2018
	£	£
Insurance contracts		
Premiums written	**147,040**	144,216
Change in unearned premium reserve	**138,394**	199,205
Insurance contracts premium revenue	**285,434**	343,421
Reinsurance contracts		
Premiums payable	**(42,913)**	(40,376)
Change in unearned premium reserve	**(40,390)**	(55,771)
Insurance contracts premium ceded to reinsurers	**(83,303)**	(96,147)
Net premium revenue	**202,131**	247,274

6. Investment income

	2019	2018
	£	£
Income from investments		
- Investment income	**29,406**	20,747
	29,406	20,747

7. Insurance claims and loss adjustment expenses

	2019	2018
	£	£
Gross insurance claims		
Claims paid during the year	**172,773**	307,839
Movement in claims liabilities	**65,986**	(130,382)
	238,759	177,457
Reinsurers' share of gross insurance claims		
Current year claims and loss adjustment expenses	**(75,348)**	(122,079)
Movement in reinsurers' share of claims liabilities	**(38,829)**	5,702
	(114,177)	(116,377)
Net insurance claims	**124,582**	61,080

8. Other operating and administrative expenses

	2019	2018
	£	£
Acquisition income	**(86,163)**	(216,664)
Movement in deferred acquisition costs	**154,022**	233,195
Administrative expenses	**35,901**	29,887
	103,760	46,418

The Company has no employees and its expenses are borne by its parent, LVFS and included in the LVFS financial statements. LVFS charge the Company by way of a management charge. It is not possible to ascertain seperately the element of the management charge that relates to employee benefit expense.

9. Auditors' remuneration

Liverpool Victoria Financial Services Limited (formerly Liverpool Victoria Friendly Society Limited), the parent company, is responsible for the management and administration of the Company. The audit remuneration, in respect of services to the Company, was borne by LVFS in 2019 and 2018.

	2019	2018
	£	£
Audit of the Company	**10,000**	8,000
Audit related assurance services	**-**	10,000
	10,000	18,000

There were no other services carried out by the Auditors in respect of the Company.

10. Directors' emoluments

The Directors of the Company are remunerated by LVFS.

The details of Directors' emoluments below include the total emoluments of those Directors who have a role in the wider LVFS group, as well as providing service to the Company. It is not possible to make an accurate apportionment of these emoluments in respect of each of the subsidiaries within the LVFS group.

The aggregate amount of Directors' emoluments was as follows:

	2019	2018
	£	£
a) Aggregate emoluments	**1,968,000**	1,844,000

b) Emoluments of the Directors were as follows:

	Fees and Salaries	**Bonus**	**Deferred bonus ***	**Other benefits**	**Long term incentive plan**	**2019 Total**	2018 Total
	£	**£**	**£**	**£**	**£**	**£**	£
Highest paid Director	**341,000**	**123,000**	**81,000**	**104,000**	**195,000**	**844,000**	650,000
All Directors	**1,096,000**	**330,000**	**81,000**	**266,000**	**195,000**	**1,968,000**	1,844,000

** Deferred bonus represents the amount of the 2019 performance bonus payable over the next three years.*

10. Directors' emoluments (continued)

Other benefits include payments in lieu of pension contributions, life assurance, car allowance, medical, relocation and other benefits in kind or their equivalent monetary value.

LVFS has made no contributions to personal pension arrangements during 2019 or 2018.

Further details on the Long Term Incentive Plan are disclosed within the Financial Statements of LVFS. Note that one Director's payment in lieu of notice of £652,000 is not disclosed in these financial statements as the payment does not pertain to the services provided to this entity.

c) Pension arrangements
The LV= Employee Pension Scheme is administered at LVFS group level and incorporates both a defined benefit section and defined contribution section. The defined benefit section was closed to future accrual in 2013 at which point existing members were eligible to join the defined contribution section.

In 2019 there were £2,265 of contributions to the defined contribution section (2018: £10,556).

Further details of the LV= Employee Pension Scheme are disclosed within the financial statements of LVFS.

	2019	2018
Deferred pension at end of period	**£**	£
All Directors	**36,000**	38,000

11. Income tax charge

a) Current tax

	2019	2018
	£	£
Current tax		
Corporation tax	**(607)**	(30,499)
Total current tax	**(607)**	(30,499)
Total income tax charge	**(607)**	(30,499)

b) Reconciliation of tax charge

The tax assessed for the year is equal to the effective rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018
	£	£
Profit before tax	**3,195**	160,523
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(607)**	(30,499)
Total income tax charge for the year	**(607)**	(30,499)

12. Deferred acquisition costs

	2019	2018
	£	£
At 1 January	**293,908**	527,103
Acquisition expenses released	**(90,872)**	(216,664)
Amortisation	**(63,150)**	(16,531)
At 31 December	**139,886**	293,908

13. Financial assets

	2019	2018
	£	£
Fair value through income		
Shares, other variable yield securities and units in unit trusts	**4,028,000**	3,827,000
	4,028,000	3,827,000

Disclosures associated with the deferral of IFRS 9

As explained in the 'Accounting policies' note, the Company taken the temporary exemption from IFRS 9 until adoption of IFRS 17. In order to facilitate comparison with companies which have adopted IFRS 9, the following disclosures are included regarding the fair value and credit risk associated with financial assets.

Financial assets are grouped into two categories for the purposes of these disclosures:

- Financial assets with cash flows that are Solely Payments of Principal and Interest (SPPI) excluding those categorised as fair value through income due to either being managed on a fair value basis or held for trading.
- All other financial assets.

Fair value of financial assets

The fair value at 31 December 2019 and the amount of change in the fair value during the year of the Company's financial assets are as follows:

	Fair value	
	2019	2018
Financial assets	£	£
1) Financial assets that meet the SPPI criteria and not valued at FVTI		
Loans and other receivables	-	-
Short-term insurance receivables *	**728,726**	867,120
	728,726	867,120

* The carrying amount of the financial asset measured applying IAS39 is deemed to be a reasonable approximation of its fair value

	2019	2018
2) All other financial assets		
Financial assets at fair value through income	**4,028,000**	3,827,000
Loans and other receivables	-	34,225
Reinsurance assets	**284,020**	285,581
Deferred acquisition costs	**139,886**	293,908
Cash	**9,743**	9,810
Derivative financial instruments, assets net of (liabilities)	-	-
	4,461,649	4,450,524

There has been a £138,394 decrease in the fair value of Financial assets within category 1 and a £11,125 increase in other financial assets during the year.

13. Financial assets (continued)

Credit risk information for SPPI financial assets
The following table represents the Company's exposure to credit risk on financial assets that meet the SPPI criteria:

Financial assets	AAA £	AA £	A £	BBB £	Not rated £	Past due but not impaired £
2019						
Loans and other receivables	-	-	-	-	-	-
Short-term insurance receivables	-	-	-	-	**728,726**	-
	-	-	-	-	**728,726**	-
2018						
Loans and other receivables	-	-	-	-	-	-
Short-term insurance receivables	-	-	-	-	867,120	-
	-	-	-	-	867,120	-

The balances above relate to amounts owed from policyholders and are therefore not rated.

14. Loans and other receivables

	2019 £	2018 £
Amounts due from group undertakings	-	34,225
	-	34,225

15. Reinsurance assets

	2019 £	2018 £
Reinsurers' share of provision for unearned premiums	**239,168**	279,558
Reinsurers' share of claims outstanding	**44,852**	6,023
	284,020	285,581

Amounts due from reinsurers in respect of claims already paid by the Company on the contracts that are reinsured are included in insurance receivables.

16. Insurance receivables

	2019 £	2018 £
Receivables arising from insurance and reinsurance contracts		
- Due from policy holders	**728,726**	867,120
	728,726	867,120

17. Cash and cash equivalents

	2019 £	2018 £
Bank balances	**9,743**	9,810
Cash and cash equivalents	**9,743**	9,810

18. *Insurance contract liabilities*

a) Analysis of insurance contract liabilities

	2019			2018		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£	**£**	**£**	£	£	£
General insurance claims liabilities	**92,276**	**(44,852)**	**47,424**	26,290	(6,023)	20,267
General insurance unearned premiums	**728,726**	**(239,168)**	**489,558**	867,120	(279,558)	587,562
	821,002	**(284,020)**	**536,982**	893,410	(285,581)	607,829

b) Movement in general insurance claims liabilities

	2019			2018		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£	**£**	**£**	£	£	£
OCR	**26,290**	**(6,023)**	**20,267**	156,672	(11,725)	144,947
Balance at 1 January	**26,290**	**(6,023)**	**20,267**	156,672	(11,725)	144,947
Claims incurred in the current accident year	**238,759**	**(114,177)**	**124,582**	166,457	(116,377)	50,080
Claims paid during the year	**(172,773)**	**75,348**	**(97,425)**	(307,839)	122,079	(185,760)
Unexpired risk provision	**-**	**-**	**-**	11,000	-	11,000
	65,986	**(38,829)**	**27,157**	(130,382)	5,702	(124,680)
Balance at 31 December	**92,276**	**(44,852)**	**47,424**	26,290	(6,023)	20,267
OCR	**92,276**	**(44,852)**	**47,424**	26,290	(6,023)	20,267
Balance at 31 December	**92,276**	**(44,852)**	**47,424**	26,290	(6,023)	20,267

c) Movement in general insurance unearned premiums

	2019			2018		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£	**£**	**£**	£	£	£
Balance at 1 January	**867,120**	**(279,558)**	**587,562**	1,066,325	(335,329)	730,996
Premiums written in the year	**137,686**	**(42,913)**	**94,773**	144,216	(40,376)	103,840
Premiums earned during the year	**(276,080)**	**83,303**	**(192,777)**	(343,421)	96,147	(247,274)
Balance at 31 December	**728,726**	**(239,168)**	**489,558**	867,120	(279,558)	587,562

18. Insurance contract liabilities (continued)

Details of the methodologies used for the premium and claims provisions for products administered on the main underwriting system are provided below. These products represent over 70% of the Company's liabilities.

Outstanding Claims Reserve ('OCR')

The purpose of the OCR is to ensure adequate reserves are in place for known claims. It is calculated by aggregating the case reserves for all known claims.

Unearned Premium Reserve ('UPR')

The UPR is that proportion of premium received on in-force contracts that relates to unexpired risks at the Statement of Financial Position date. This calculation is based on a monthly pro-rata basis and forms part of the insurance contract liabilities balance in the Statement of Financial Position.

Unexpired Risk Reserve ('URR')

If the estimated cost of claims and expenses resulting from claims exceeds the unearned premium reserve, then an unexpired risk reserve is created equal to this excess. This is a provision for an expected loss. The expected costs are estimated from the claims ratio, estimated changes in the level of claims, the effect of reinsurance (which may significantly offset the cost of claims) and the cost of processing claims.

There was a release of the URR in 2019 of £11,000 (2018: £125,000) primarily due to the reimbursement of commission costs for certain historic cancelled policies. The Company currently holds no URR provision as UEPR exceeds the cost of claims and expenses resulting from claims.

19. Current tax liability

	2019	2018
	£	£
At 1 January	**30,499**	53,577
Amounts recorded in the Statement of Comprehensive Income	**607**	30,499
Group relief paid	**(30,499)**	(53,577)
At 31 December	**607**	30,499

20. Insurance payables

	2019	2018
	£	£
Amounts due to reinsurers	**239,168**	279,558
	239,168	279,558

21. Trade and other payables

	2019	2018
	£	£
Amounts owed to group undertakings	**4,449**	-
Other taxes and social security costs	**15,800**	7,416
	20,249	7,416

22. Share capital

	2019	2018
	£	£
Ordinary shares, allotted and fully paid		
1,000,000 (2018: 1,000,000) Ordinary shares of £1 each	**1,000,000**	1,000,000
	1,000,000	1,000,000

23. Capital reserve

	2019	2018
	£	£
Balance at 1 January	**4,000,000**	4,000,000
Balance at 31 December	**4,000,000**	4,000,000

The reserve was created to receive capital contributions from its parent company LVFS, in order to provide regulatory capital.

The capital reserve is distributable in future periods under the provisions of the Companies Act 2006.

24. Accumulated losses

	2019	2018
	£	£
Balance at 1 January	**(893,239)**	(1,023,263)
Profit for the year	**2,588**	130,024
Balance at 31 December	**(890,651)**	(893,239)

25. Cash generated from operating activities

	2019	2018
	£	£
Profit before tax	**3,195**	160,523
Investment income	**(29,406)**	(20,747)
Non-cash items		
Movement in deferred acquisition costs	**154,022**	233,195
Changes in working capital		
Decrease/(Increase) in loans and other receivables	**34,225**	(13,907)
Decrease in reinsurance assets	**1,561**	61,473
Decrease in insurance receivables	**138,394**	182,288
Decrease in insurance contract liabilities	**(72,408)**	(329,587)
Decrease in insurance payables	**(40,390)**	(55,771)
Increase/(Decrease) in trade and other payables	**12,833**	(23,255)
Cash generated from operating activities	**202,026**	194,212

26. Event occurring after the balance sheet date

The emergence of the Coronavirus represents a new uncertainty for 2020. The continued presence of the virus in the UK and the impact of ongoing government action have created uncertainty within the economy.

In order to assess the financial impact of COVID-19 on the Company management performed the following checks:

- **Assets held to back insurance contract liabilities:** The key area where the subsidiaries are exposed to a going concern risk would be if the assets held to back insurance contract liabilities were written off. The subsidiaries hold a mixture of cash, unit trusts and fixed income investments. The movement in the IFRS value and the credit ratings of these investments has been assessed and no significant deterioration identified
- **Debtors held with third parties:** Management confirmed that third party debtors continue to be settled in line with expectations
- **Deferred acquisition costs (DAC):** The liability adequacy test has been re-performed on the DAC balance in LVPL at 30 June 2020 and confirmed no impairment is required.
- **Insurance contract liabilities:** The level of claims has been compared to expectations.
- **Going concern:** The going concern status of the Company was reassessed in light of the findings from the above investigations, with no issues noted.

In addition the following checks were performed and confirmed not applicable:

- **New business performance:** The Company is closed to new business and not exposed to the reduction in volumes experienced in the insurance industry.
- **Impairment:** The Company do not own any non-financial assets that require impairment assessment.
- **Dividends:** No dividends had been declared and therefore it is not necessary to assess the current reserves available for payment.
- **Onerous contracts:** The Company does not hold significant external contracts as all required services are provided by LVFS in exchange for the management charge

Following the assessment performed, management conclude that business developments in 2020 and the COVID-19 situation have not had an impact on the going concern status of LV Protection Limited. This conclusion is based on the following key factors:

- The LV= group has demonstrated that it is operationally resilient and that business continuity measures have been effective in ensuring we continue to service our customers.
- The closed book nature of the Company means that the going concern status is not dependent on the ability to generate new business.
- There has been no deterioration in the value of invested assets and no write-offs or impairment of debtors and other assets during 2020.
- Claims levels do fluctuate, however they have not increased to levels that would indicate a going concern risk.

27. Related party transactions

The Company enters into transactions with key management personnel in the normal course of business. All transactions are carried out on an arm's length basis. Details of significant transactions carried out during the year with related parties are as follows:

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

	2019	2018
	£	£
Short-term employee benefits	**1,773,000**	1,844,000
Post employee benefits	**2,000**	11,000
Other long-term benefits	**195,000**	-
	1,970,000	1,855,000

b) The following transactions have taken place between the Company and other LV group companies:

	2019	2018
	£	£
Administration charges	**26,548**	29,887
	26,548	29,887

Expenses from LVFS related to charges due to LVPL for the administration of policies.

c) Balances outstanding between the Company and the parent company:

	2019	2018
	£	£
Receivable by the Company from LVFS	**260**	34,225
	260	34,225

28. Ultimate parent company

As at 31 December 2019 the ultimate and immediate parent company and ultimate controlling party was Liverpool Victoria Friendly Society Limited, a UK-incorporated friendly society registered under the Friendly Societies Act 1992. On 2 January 2020, Liverpool Victoria Friendly Society Limited was converted to a company limited by guarantee registered under the Companies Act 2006, under the name Liverpool Victoria Financial Services Limited.

The largest and smallest company whose financial statements this company is consolidated into is Liverpool Victoria Financial Services Limited (formerly Liverpool Victoria Friendly Society Limited). The consolidated financial statements of Liverpool Victoria Financial Services Limited (formerly Liverpool Victoria Friendly Society Limited) are available to the public and may be obtained from:

The Company Secretary
County Gates
Bournemouth
Dorset
BH1 2NF

or at www.lv.com/about-us/company-information/returns/reports-accounts