Registration number: 13436330

Great Lakes Insurance UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2023

Great Lakes Insurance UK Limited

Contents

Company Information

Directors	Timothy Carroll	(Non-executive Chair)
	Nicolas Brown	(Non-executive)
	Katherine Coates	(Non-executive)
	Lesley Watkins	(Non-executive)
	Christoph Carus	(Non-executive)
	Tony Ayles	
	Jingfang Shi	
	Claire Weston	
Company Secretary	Jana Zaujecova	
Registered Office	10 Fenchurch Avenue London EC3M 5BN	
Company Number	13436330	
Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY	

Strategic Report for the Year Ended 31 December 2023

The Directors of Great Lakes Insurance UK Limited ("GLLS" or "the Company") present their Strategic Report for the year ended 31 December 2023.

Principal Activities
The principal activity of GLLS is that of a primary insurance undertaking. The Company commenced underwriting from 01 January 2023 which was its first year of operation.

The Company was incorporated on 03 June 2021 and is a wholly owned subsidiary of Great Lakes Insurance, S.E. ("GL"), a fully licensed and authorised company in Germany. GL is a wholly owned subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich ("Munich Re" or "Munich Re Group"), a public limited company incorporated in Germany. The Company received authorisation from the Prudential Regulation Authority ("PRA") on 28 July 2022 to commence underwriting from 01 January 2023. The Company is also regulated by the Financial Conduct Authority ("FCA").

Between incorporation and beginning to trade, the Company obtained an investment portfolio and arranged binding authority agreements with MGA/co-insurers in order to start underwriting insurance business from 01 January 2023 onwards.

The Company primarily underwrites UK direct insurance business through a portfolio of Managing General Agents ("MGAs") and co-insurance arrangements. The business underwritten by the Company in the year included both direct retail and commercial risks primarily in the following lines of business:

- Motor
- Household
- Commercial Property
- Travel and Health
- Liability (Public Liability, Employers' Liability, Solicitors' Professional Liability)
- Title
- Pet

Business Review and key performance indicators
The key performance indicators for the Company for the year-ending 31 December 2023 are as below:

Measure	Unit	2023	2022
Gross written premium	£'000	1,149,017	-
Underwriting result	£'000	(37,678)	-
Investment result (Note 4)	£'000	15,975	745
Loss after tax	£'000	16,989	1,590
Equity	£'000	281,296	222,880
Combined ratio*	%	108	-
Investment return**	%	3.8	0.7
Solvency II coverage ratio	%	159	359

* Including £3,907k of Other income, net of reinsurance (as included in the Technical account – General business)
** Calculated as net investment income over the average investment holding for the year.

For the year-ended 31 December 2023, the Company generated a loss before tax of £22,277k (2022: loss of £2,120k). This was mainly driven by a loss on the technical account of £37,678k (2022: £nil). This was offset by net investment gains of £15,975k (2022: £745k) and an interest expense of £574k (2022: £nil).

Total gross written premiums for the year were £1,149,017k (2022: £nil) which were generated from the underwriting of insurance policies for the Company's first underwriting year. There are therefore no comparatives with which to compare. Net written premiums were £848,627k (2022:£nil). The Company's combined ratio was 108% (2022: nil%). The majority of the Company's premium was generated in the Motor line of business (c54%) which includes both personal and commercial policies.

Strategic Report for the Year Ended 31 December 2023

The Company generated an investment result of £15,975k (2022: £745k) of which £17,159k related to regular investment income and there was £856k of net realised loss on disposal of investments. The Company continues to hold primarily debt securities and there has been no material change to the investment strategy from the prior year.

The Company uses the standard formula to calculate its solvency capital requirements. The solvency ratio for the year-end 2023 was 159% (2022: 359%). The decrease in solvency ratio compared to the prior year was driven by the increase in the Solvency Capital Requirement (SCR) which is as a result of the Company continuing to develop its underwriting business. The Board considers it appropriate for the Company to maintain a solvency coverage ratio of at least 140%.

As part of the Company's phased capitalisation plan, GLLS received £160,000k of additional capital in November 2023. £70,000k was received in the form of a share capital injection from GL and GL provided an additional £90,000k in the form of a subordinated loan.

Risk Management
The Company's risk management objectives are set out in note 2 to the financial statements.

Principal risks and uncertainties
Principal Risks are those which the Directors believe could materially affect the performance or the ability of the Company to continue as a going concern. For the year-ending 31 December 2023, the Directors consider the following principal risks and uncertainties to potentially impact the Company:

- Insurance risk

Insurance risk is defined as the risk of insurance profitability being lower than expected. Premium, reserve and accumulation risks are significant components of insurance risk. Premium risk denotes the risk that premiums collected are insufficient to cover the Company's future contractual obligations. Reserve risk is the risk that the recognised loss reserves will be insufficient to cover all eligible future claims. Accumulation risk is the risk that the Company may be exposed to potentially large losses triggered by a single cause or event as a consequence of exposures from many different lines of business written at different points in time. The Company manages insurance risk through regular oversight of its MGA's/co-insurer and periodic reserve reviews (including variances of actuals versus expected). The Company is also monitoring the impact of inflation on its underwriting, claims and reserving positions.

As at 31 December 2023, the Company had total gross underwriting reserves of £890,723k (2022: £nil).

- Credit risk

Credit risk is defined as the financial loss that the Company could incur as a result of a change in the financial situation of a counterparty, such as an issuer of securities or other debtor with liabilities. The Company is exposed to credit risk through its financial investments, reinsurance assets (primarily with Munich Re Group entities) and debts owed by agents. The Company mitigates credit risk primarily by investing in highly rated securities, withholding funds from internal Munich Re Group entities on reinsurance recoverable and regularly monitoring its counterparties credit quality.

As at 31 December 2023, the Company had £83,302k (2022: £nil) of funds withheld.

As at 31 December 2023, 96.1% of the Company's financial investments were rated A or higher (2022: 97.7%). The Company has no asset balances with a credit rating of lower than BBB. The Company also has a policy of ceding business to highly rated reinsurers. At 31 December 2023, 100% were rated A- or higher.

- Market risk

Market risk is defined as the risk of economic losses resulting from price changes in the capital markets. This includes general interest rate risk, specific interest rate risk and bond market risk. As the Company transacts the majority of its business (including financial investments) in GBP, its exposure to currency risk is not material.

The general interest rate risk covers changes in basic yield curves, whereas the specific interest rate risk models changes in credit spreads. Market risk also includes the risk of changes in inflation rates. The Company uses appropriate limit and early-warning systems in its asset - liability management to manage market risks. To mitigate market risk, GLLS has a conservative investment strategy with the majority of investment assets held in high quality fixed income securities.

- Operational risk

Operational risk is defined as the risk of economic losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. Operational risk is mitigated through regular oversight and monitoring of key controls, periodic reviews by the second and third lines of defence as well as through the use of extensive procedure manuals and associated controls framework.

- Economic and political uncertainty

The predominant factor of the market in which the Company writes business continues to be the aftermath of Brexit, accompanied by high rates of inflation and economic uncertainty. These factors have material effects on solvency, regulation, claims, interest rate levels, and new business production. Additionally, the low margins and low volume of some agents, together with the war for talent and inflationary wage expectations, increase pressure on the expense side.

Material deviation of the UK regulatory landscape from Solvency II is also on the horizon, being in active consultation, and is likely to cause increased costs and operational challenges.

In addition to regularly monitoring the insurance and investment activity on an ongoing basis, the Company regularly monitors changes in the economic and political environment. The Company has also established an inflation working group to monitor the impact of changes in inflation on the Company's business operations.

- Liquidity risk

Liquidity risk is defined as the risk of incurring financial losses resulting from the inability to meet payment obligations when they fall due, due to holding insufficient liquid assets. The Company's objective in managing liquidity risk is to ensure that it is in a position to meet its payment obligations at all times. The Company mitigates liquidity risk primarily by only holding financial investments in assets that are highly liquid and trade on an active market.

For the year-ending 31 December 2023, the Company only held government and corporate bonds. In addition, the Company ensures that it holds sufficient cash reserves in order to settle its liabilities as and when they fall due as part of its asset – liability matching strategy.

- Group Risk

Group risk is the potential of risk events, of any nature, arising in or from membership of a corporate group. The Company is part of the Munich Re Group as well as being a subsidiary of GL. Munich Re and ERGO Versicherung Aktiengesellschaft ("ERGO") which are both part of the Munich Re Group, provide reinsurance to the Company. There is frequent dialogue with these group companies and a regular flow of information to ensure that these reinsurance relationships meet the Company's requirements.

Munich Re also provides an outsourcing service for parts of the Actuarial reserving function as well as services for central IT systems which the Company uses. Group Investment Management ("GIM") and Munich ERGO Asset Management GmbH ("MEAG") provide investment management services to the Company via an outsourcing arrangement. The Company regularly monitors its outsourcing arrangements to ensure that the services provided are in line with the agreed terms.

- Cyber Risk

Cyber threats and, consequentially, cyber risk, has noticeably increased since the pandemic crisis as cyber-criminals seek to exploit the potential vulnerability of businesses and remote working environments. Munich Re remains resilient in extending and maintaining a secure platform to incorporate remote working whilst recognising an increased threat of phishing attacks, ransomware and fraud on its business. Security controls are based on Munich Re Group defined standards and are continuously improved to keep pace with the evolving cyber threat, including regular security and social engineering awareness communications, additional security training and new phishing reporting tools.

In 2023, there have been no material Cyber Security or Data Protection breaches nor successful intrusions identified of the GLLS network. Whilst there continues to be a year-on-year increase in phishing attempts, these have not been successful. In addition, whilst the GL Emergency Management Group ("EMG") and the Risk Management team were involved in the monitoring and response to cyber attacks on third parties, there was no material impact on GLLS's systems, data or important business services.

Cyber threat intelligence from the MR Global Cyber Defence Centre ('GCDC') is shared within Munich Re, and expert security resource is available should there be an information security incident. Munich Re undertakes a regular programme of patching, Vulnerability and Penetration Testing ('VAPT') of IT systems and appropriate actions are taken to address any vulnerabilities identified. Security controls are regularly assessed for control design and performance effectiveness as coordinated by the Munich Re Group IT & Risk Security team, with the results reported to Munich Re Integrated Risk Management. In the event of a breach there are established security incident response protocols and processes to ensure the incident is contained, resolved and reported appropriately.

- Climate Risk

The Company has considered the impact of climate change in preparing its financial statements for the year-ended 31 December 2023. The Company faces a number of potential risks which arise from climate change over the coming years. The Company considers the impact of climate change on its business operations for the year-ending 31 December 2023 as not material. In addition, it is considered that there is no material impact of climate change on the Company's invested assets and insurance liabilities.

The Company is part of the Munich Re Group which has published several sustainability targets that are built around the Group's guiding principles of its Ambition 2025 strategy which include Scale, Shape and Succeed. The Company is also working with its parent Company, GL and the Munich Re Group as part of a group project to bring business activities in line with the EU Environmental, Social and Governance ("ESG") requirements going forwards.

- Geopolitical risks

The Company underwrites primarily in the UK and therefore has little exposure to wider geopolitical risk and therefore the there is no material impact on the Company's insurance liabilities. In addition the Company primarily holds UK/EU government and corporate bonds. Therefore it's financial investment portfolio has limited exposure to geopolitical risk.

Statement by the Directors in performance of their statutory duties in accordance with S172 (1) Companies Act 2006

The Board of Directors of Great Lakes Insurance UK Limited both individually and collectively act in the way they consider in good faith would be most likely to promote the success of the Company for the benefit of its member. This assessment by the Directors is in respect of the activities undertaken by the Company in 2023.

1. **The likely consequences of any decision in the long term**

Within the context of the Company's long-term growth ambitions, the Company will continue to work and act as a primary insurer through its network of MGA/co-insurance partners. The Directors consider the likely long term consequence of any decision made during the year on both the Company and its key stakeholders. This includes both its shareholder, customers and suppliers. The Board of Directors regularly reviews the Company's strategy and keeps staff updated on the key topics arising from these reviews.

Furthermore, as part of the Munich Re Group, the Company also considers the Group's long-term strategic ambitions. Munich Re Group's Ambition 2025 has set both financial and non-financial objectives which operate under the three pillars of Scale, Shape and Succeed. As part of this the Munich Re Group established at the start of 2023 a new business unit called Global Specialty Insurance ("GSI") which includes both GLLS and GL. The purpose of this new business unit is to harness and develop the Munich Re Group's specialty insurance capabilities. Therefore, in considering any long-term decisions for the Company, the Directors also ensure any such decisions are aligned with the Munich Re Group strategic ambitions.

2. **The interests of the Company's employees**

The Company does not have any employees. Munich Re UK Services Limited ("MRUKS"), another Munich Re Group company, provides staff to the Company, the costs for which are recharged on a quarterly basis. The Company engages with employees who are seconded from MRUKS through regular townhall meetings and other forms of communication. Please refer to the 2023 MRUKS financial statements for further information.

3. **The need to foster the Company's business relationship with suppliers, customers and others**

The Company's primary supplier for the year-ending 31 December 2023 was MRUKS as the provider of staff and administrative services to the Company. In addition, the Company also has outsourcing arrangements with other Munich Re Group companies in respect of the management of its financial investments through Group Investment Management ("GIM") and Munich ERGO Asset Management GmbH ("MEAG"). The Company also outsources various parts of the Actuarial reserving function as well as the use of central IT systems to Munich Re. The Directors actively engage with these suppliers on an ongoing basis to ensure there are no significant interruptions that impact the Company's business.

Following the start of underwriting from 1 January 2023, the Company now issues policies to customers through MGA/co-insurer partnerships. As the Company operates a delegated underwriting model, the Company does not have any direct contact with customers and therefore relies on its MGA/co-insurer partners to foster business relationships with its customers. The Company in turn has dedicated Agency Business Managers who oversee the partnerships and who also regularly engage with the MGA/co-insurance partners to ensure that the Company's aims and objectives as well as regulatory obligations are met.

4. **The impact of the Company's operations on the community and the environment**

The Company periodically reviews its operations on the community and the environment as ESG is an important topic for the Munich Re Group. As such the Company is adopting policies to support the Munich Re ESG ambitions. Munich Re have included ESG targets within its Ambition 2025 strategy for the group which include reducing carbon emissions by 12% per employee by 2025 and then achieving net-zero emissions by 2030.

The Company's immediate parent, GL, has also initiated an ESG programme which will support both the own emissions targets of the Munich Re Group as well as reviewing the emissions associated with its underwriting portfolio.

Statement by the Directors in performance of their statutory duties in accordance with S172 (1) Companies Act 2006

5. **The desirability of the Company maintaining a reputation for high standards of business conduct**

Maintaining a reputation of high standards of business conduct is of the utmost importance to the Directors. The Company seeks to maintain the highest standards in interacting with its customers and suppliers. In the activities undertaken during 2023, the Directors have focussed on ensuring compliance with applicable laws and both PRA/FCA regulations where relevant. A key aspect of this is in respect of the operational resilience regulations of the PRA/FCA which requires firms and the financial sector to respond to and to recover from disruptions to business operations. Whilst the regulatory compliance deadline is 2025, the Company took further steps in the year towards meeting this deadline.

Furthermore, the Company also continued to implement the requirements of the FCA's Consumer Duty which is aimed at protecting policyholders by requiring firms to act in good faith and ensure that customers avoid foreseeable harm.

In areas where the Company delegates underwriting authority to MGAs/co-insurer, the Company performs periodic reviews to ensure that high standards of business conduct are maintained. If areas for improvement are identified, including any increased risk ratings, the Company requires remediation on a timely basis.

6. **The need to act fairly between the members of the Company**

The Company has a single shareholder being GL. Continued engagement with the shareholder is important to ensure the longer term success of the business and the shareholder has a non-executive representation on the Company's Board of Directors.

The Company seeks to engage with the shareholder through the annual review of the Company's budget, periodic management meetings, quarterly reporting of Key Performance Indicators ("KPIs") and review of other financial and non-financial information.

Climate Change
The Company has considered the impact of climate change in preparing the Strategic Report. Please refer to the principal risks and uncertainties section for further details regarding climate risk. Please refer to Section 4 of the Section 172 (1) disclosure for further details regarding the impact of the Company's operations on the community and the environment.

Approved by the Board on 26 March 2024 and signed on its behalf by:

C L Weston

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Claire Weston
Director

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Jingfang Shi
Director

Directors' Report for the Year Ended 31 December 2023

The Directors present their report and financial statements for the year-ended 31 December 2023.

Information disclosed within the Strategic Report
In accordance with s414C(11) of the Companies Act 2006, the Company has set out the following information within the Strategic Report, which would otherwise be contained within the Directors' Report:

- Principal Activities;
- The Company's principal risks and uncertainties; and
- The Company's business performance

Result and dividends
The Company generated a loss before tax of £22,277k (2022: loss of £2,120k). The Directors do not recommend the payment of a dividend for the year-ended 31 December 2023.

Directors of the Company
The Directors who held office during the year were as follows:

Claire Weston
Jingfang Shi
Tony Ayles
Timothy Carroll
Nicolas Brown
Christoph Carus
Katherine Coates
Lesley Watkins

The Company has made qualifying third party indemnity provisions for the benefits of the Directors of the Company which remain in force at the date of this report.

Post balance sheet events
There have been no adjusting or non-adjusting post balance sheet events.

Political contributions
The Company made no political donations or incurred any political expenditure during the year.

Major Shareholdings
The Company is a wholly owned subsidiary of Great Lakes Insurance, S.E. ("GL"), a company incorporated in Germany. GL is a subsidiary of Munich Re, a company incorporated in Germany. Copies of the Munich Re Group accounts are available from Königinstr. 107, 80802, Munich, Germany.

Streamlined Energy and Carbon Reporting
The following data is set out to demonstrate compliance with the Streamlined Energy and Carbon Reporting (SECR) requirements set out by HM UK Government in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Company does not directly incur the costs that generate the associated emissions below (as these are incurred by MRUKS). The Company has therefore estimated its share of the MRUKS emissions.

As disclosed in the Strategic Report, the Company aims to achieve environmental best practice throughout all processes wherever possible. Throughout the year, the Company has continued to evaluate and implement sustainable initiatives, with the objective of reducing the Company's environmental footprint as part of the wider Munich Re ESG ambitions.

Directors' Report for the Year Ended 31 December 2023

The table below shows the Company's estimated share of the MRUKS emissions generated in the year.

	2023
Energy consumption	
Scope 2: Electricity (mWh)	**47.74**
Scope 3: Paper (tonnes)	**0.04**
Scope 3: Water (m3)	**282.72**
Scope 3: Waste (tonnes)	**2.69**
Scope 3: Travel (km)	**126,665**
Emissions (tonnes of CO2e)	
Scope 2: Electricity	**9.49**
Scope 3: Paper	**0.04**
Scope 3: Water	**0.20**
Scope 3: Waste	**0.48**
Scope 3: Travel	**14.10**
Total emissions	**24.30**
Energy intensity tonnes of CO2/£'000	**0.0211**

Energy intensity is determined using total energy consumption from electricity and transport fuel (in tonnes) per £'000 of gross premiums written.

Greenhouse Gas ("GHG") emission sources are reported on a carbon dioxide emissions equivalents basis (CO2e) as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Emission factors have been determined in line with the Greenhouse Gas Protocol and International Energy Agency.

Financial instruments

The Directors have considered the financial risk management objectives and policies of the Company and its exposure to insurance risk, credit risk, liquidity risk and market risk as described in Note 2 of the Financial Statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 3-8.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for twelve months from the signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out above and in the Strategic report. The Company's Balance Sheet shows net assets of £281,296k (2022: £222,880k). These include financial investments totalling £800,933k (2022: £218,506k) and cash at bank and in hand of £46,055k (2022: £3,605k).

From a financial perspective the Directors continue to assess the Company's ability to continue as a going concern. In doing so, the Directors have made reference to the latest available forecasts for the Company. The Directors also make reference to the Company's Own Risk and Solvency Assessment ("ORSA") which includes stress and scenario testing on the Company's solvency ratio. The Company is also expected to receive further capital injections from its parent company GL in 2024 in line with its approved regulatory business plan.

Based on this information, the Directors have concluded that the Company has adequate financial resources to continue as a going concern for the twelve months from the signing of these financial statements.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Directors' Report for the Year Ended 31 December 2023

Reappointment of auditors

At the Board meeting on 21 March 2023, it was resolved to recommend to the Shareholder that Ernst & Young LLP be reappointed as auditor, and therefore continue in office until such a time as a resolution is passed to remove Ernst & Young LLP as the Company's auditor. The Company will be participating in a group audit tender process for the audit of entities of Munich Re Group for the financial year ending 31 December 2026 which was announced earlier this year.

Future developments

The Company anticipates to continue to grow in line with its business plan. Whilst the Company continues to seek new MGA partnerships it is expected that the current composition of its MGA portfolio will not materially change during the 2024 financial year.

As the Company continues to grow, it is also expecting to receive further capital injections during the 2024 financial year in line with the Company's business plan.

Approved by the Board on 26 March 2024 and signed on its behalf by:

C L Weston

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Claire Weston
Director

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Jingfang Shi
Director

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the report and 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice) and applicable law.

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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards including FRS 102 and FRS 103 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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. They 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.

Independent Auditor's Report to the Members of Great Lakes Insurance UK Limited

Opinion

We have audited the financial statements of Great Lakes Insurance UK Limited for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Understanding management's going concern assessment process and obtaining management's assessment which covers 12 months from the date the financial statements were authorised for issue,
- Challenging the key assumptions used by management in determining appropriateness of the going concern assessment; and
- Assessing the appropriateness of the going concern disclosures within the financial statements by comparing them with the relevant reporting requirements.

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 12 months from when the financial statements are authorised for issue.

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

Independent Auditor's Report to the Members of Great Lakes Insurance UK Limited

Overview of our audit approach

Key audit matters	• Valuation of Gross IBNR claims reserves included within gross claims outstanding. • Measurement of estimated gross written premium included within gross written premium.
Materiality	• Overall materiality of £11.5m which represents 1% of gross written premium.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

Changes from the prior year

In the current year, the Company commenced underwriting and has applied FRS 103 Insurance Contracts for the first time. As a result, we have adjusted our scope to include the material insurance balances.

Climate change

Stakeholders are increasingly interested in how climate change will impact Great Lakes Insurance UK Limited. The Company has considered the impact of its operations on the environment. This is explained on page 6 in the Strategic Report. This forms part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, and the adequacy of the company disclosures on page 6 in the Strategic Report.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent Auditor's Report to the Members of Great Lakes Insurance UK Limited

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of gross IBNR claims reserves (£256.5m, 2022: £Nil) included within Gross Claims outstanding (£365.5m, 2022: £Nil) Refer to accounting policies (page 28); and Note 16 & 17 of the Financial Statements (page 48) Claims outstanding are inherently uncertain and subjective by nature as a result of the estimation of incurred but not reported ('IBNR') claims. A small manipulation of an assumption could have a significant impact on the result for the year. This could lead to gross claims outstanding not falling within a reasonable range of estimates, resulting in a misstatement in the financial statements.	To obtain sufficient audit evidence to conclude on the appropriate recognition of gross IBNR claims reserves, we performed the following procedures: • Obtained an understanding of the process and tested the design effectiveness of key controls over management's process for computing estimates of IBNR claims reserves, • Challenged and assessed whether the methodology and assumptions applied were appropriate based on our knowledge of regulatory and financial reporting requirements, • Validated the completeness and accuracy of the data used within the actuarial model implemented by management to estimate IBNR claims reserves; and • Performed an independent re-projection of a proportion of the IBNR claims reserves and compared this against management's booked estimate.	Based on the results of the procedures performed, we conclude that management's estimate of the gross claims IBNR reserve falls within a range of reasonable best estimates and the disclosures in the financial statements are appropriate.

Independent Auditor's Report to the Members of Great Lakes Insurance UK Limited

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Measurement of estimated gross written premium (£360.8m, 2022: £Nil) included within gross written premium (£1,149 m, 2022: £Nil) Refer to accounting policies (page 29) For certain insurance contracts, premium income is initially recognised based on estimates of future premiums. These estimates are judgemental. As a result, we consider there is higher risk of inappropriate judgement being applied in the calculation of estimates gross written premiums that could result in a material misstatement of gross written premium.	To obtain sufficient audit evidence to conclude on the appropriate recognition of estimated gross written premium, we performed the following procedures: • Obtained an understanding of the process and tested the design effectiveness of key controls over management's process for estimating gross written premiums, • Challenged and assessed whether the judgements applied by the management were appropriate, • Performed back-testing of the estimated gross written premium recognised by the company against the estimated gross written premium recognised on the book in prior years in the Great Lakes UK branch, comparing the initial estimates to subsequent cash receipts, • Obtained the relevant binding authority agreements to test the occurrence of the premium; • Tested the completeness and accuracy of data used by the management.	Based on the results of the procedures performed, we are satisfied that the estimated gross written premium has been appropriately recognised.

In the prior year, our auditor's report included a key audit matter in relation to the valuation of other financial investments. In the current year, it is not considered as a key audit matter as we deem the risk in relation to valuation of other financial investment to be lower.

Independent Auditor's Report to the Members of Great Lakes Insurance UK Limited

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £11.5 million (2022: £4.5 million), which is 1% of gross written premium (2022: 2% of net assets). Following the commencement of underwriting operations during the year, we believe that gross written premium provides us with the most appropriate basis for calculating materiality as this the metric upon which the users of the financial statements focus.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £5.7m (2022: 2.2m). We have set performance materiality at this percentage due to the company underwriting insurance business for the first time in the current year.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.6m (2022: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Great Lakes Insurance UK Limited

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Independent Auditor's Report to the Members of Great Lakes Insurance UK Limited

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that related to the financial reporting framework (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Companies Act 2006), the licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and the relevant direct and indirect tax compliance legislation in the United Kingdom.
- We understood how Great Lakes Insurance UK Limited is complying with those frameworks by making inquiries of management, internal audit, and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we also reviewed minutes of Board and other Committee meetings and gained an understanding of the Company's approach to governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the additional procedures performed over revenue recognition, valuation of IBNR claims reserves and testing of manual journals, which were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
    - Making inquiries of those charged with governance and senior management to ascertain their awareness of any non-compliance with the relevant laws and regulations,
    - Identifying the policies which those charged with governance have implemented to prevent, detect and monitor non-compliance with laws and regulations by officers and employees,
    - Reviewing correspondence with regulators and formal minutes of the Board and relevant sub-committees to determine whether there was any non-compliance with laws and regulations.
- The Company operates in the insurance industry which is a specialised area. As such, the Senior Statutory Auditor considered the experience and competence of the engagement team to ensure that the team had appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 22 November 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods. We were appointed as auditors by the Board and signed an engagement letter on 6 December 2022.

- The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2022 to 31 December 2023.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

- The audit opinion is consistent with the additional report to the audit committee.

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

DocuSigned by:
Ernst & Young LLP
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Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 March 2024

Income Statement for the Year Ended 31 December 2023

Technical account – General business	Note	2023 £'000	2022 £'000
Gross premiums written	3	1,149,017	-
Outward reinsurance premiums		(300,390)	-
Net written premiums		**848,627**	-
Change in the provision for unearned premiums			
- gross amount		**(525,136)**	-
- reinsurers' share		**139,808**	-
Earned premiums, net of reinsurance		**463,299**	-
Other technical income, net of reinsurance		**3,907**	-
Total technical income		**467,206**	
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**(67,747)**	-
- reinsurers' share		**1,992**	-
		(65,755)	
Change in claims outstanding			
- gross amount		**(365,587)**	-
- reinsurers' share		**98,910**	-
Claims incurred, net of reinsurance		**(332,432)**	
Net operating expenses	5	**(172,452)**	-
Total claims and expenses		**(504,884)**	-
Balance on technical account – general business		**(37,678)**	-

The notes on pages 27 to 51 form part of these financial statements

Income Statement for the Year Ended 31 December 2023

Non-technical account		2023 £'000	2022 £'000
Balance on technical account – general business		**(37,678)**	-
Investment income	**4**	**17,159**	804
Investment expenses and charges	**4**	**(328)**	7
Realised gains on investment	**4**	**1,683**	-
Realised and unrealised losses on investment	**4**	**(2,539)**	(66)
Interest expense	**18**	**(574)**	-
Other non-technical expenses		**-**	(2,865)
Loss on ordinary activities before tax		**(22,277)**	(2,120)
Tax on loss on ordinary activities	**9**	**5,288**	530
Loss on ordinary activities after taxation		**(16,989)**	(1,590)

The notes on pages 27 to 51 form part of these financial statements

Statement of Comprehensive Income for the Year Ended 31 December 2023

	Note	2023	2022
Loss for the year		**(16,989)**	(1,590)
Items that may be reclassified subsequently to the income statement			
Change in fair value on financial assets gross	**13**	**7,920**	(731)
Fair value amounts recycled through the income statement	**13**	**(792)**	-
Change in expected credit loss	**13**	**79**	18
Change in fair value on financial assets tax	**9**	**(1,802)**	183
Other comprehensive loss for the year		**5,405**	(530)
Total comprehensive loss for the year		**(11,584)**	(2,120)

All operations were from continuing activities.

The notes on pages 27 to 51 form part of these financial statements

Statement of Financial Position as at 31 December 2023

	Note	2023 £'000	2022 £'000
Assets			
Investments			
Other financial investments	**10**	**800,933**	218,506
Reinsurers' share of technical provisions			
Provision for unearned premiums	**15**	**139,808**	-
Claims outstanding	**16,17**	**98,910**	-
		238,718	-
Debtors			
Debtors arising out of direct insurance operations		**377,147**	-
Debtors arising out of reinsurance operations		**3,752**	-
Other debtors	**11**	**18,172**	713
		399,071	713
Other assets			
Cash at bank and in hand		**46,055**	3,605
Other assets		**-**	56
		46,055	3,661
Prepayments and accrued income			
Deferred acquisition costs	**14**	**145,187**	-
Total Assets		**1,629,964**	222,880

The notes on pages 27 to 51 form part of these financial statements

Great Lakes Insurance UK Limited

Statement of Financial Position as at 31 December 2023

	Note	2023 £'000	2022 £'000
Equity and Liabilities			
Shareholders' equity			
Called up share capital	**12**	**295,000**	225,000
Other reserves	**13**	**4,875**	(530)
Profit and loss account		**(18,579)**	(1,590)
Total capital and reserves		**281,296**	222,880
Subordinated liabilities	**18**	**90,562**	-
Liabilities			
Technical provisions			
Provision for unearned premiums	**15**	**525,136**	-
Claims outstanding	**16,17**	**365,587**	-
		890,723	-
Provision for other risks and charges			
Deferred taxation	**9**	**1,622**	-
Deposits received from reinsurers		**83,302**	-
Creditors			
Creditors arising out of direct insurance operations		**45,654**	-
Creditors arising out of reinsurance operations		**154,724**	-
Other creditors including taxation and social security	**19**	**44,257**	-
		244,635	-
Accruals and deferred income	**14**	**37,824**	
Total liabilities		**1,348,668**	-
Total equity and liabilities		**1,629,964**	222,880

Approved and authorised by the Board on 26 March 2024 and signed on its behalf by:

C L Weston

…………………………..
Claire Weston
Director

…………………………….
Jingfang Shi
Director

Company number 13436330.

The notes on pages 27 to 51 form part of these financial statements

Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital £'000	Fair value reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2023	**225,000**	**(530)**	**(1,590)**	**222,880**
Shares issued for cash	**70,000**	**-**	**-**	**70,000**
Loss for the year	**-**	**-**	**(16,989)**	**(16,989)**
Other comprehensive income	**-**	**5,405**	**-**	**5,405**
At 31 December 2023	**295,000**	**4,875**	**(18,579)**	**281,296**

	Share capital £'000	Fair value reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2022	-	-	-	-
Shares issued for cash	225,000	-	-	225,000
Loss for the year	-	-	(1,590)	(1,590)
Other comprehensive income	-	(530)	-	(530)
At 31 December 2022	225,000	(530)	(1,590)	222,880

The notes on pages 27 to 51 form part of these financial statements

Notes to the Financial Statements for the Year Ended 31 December 2023

1. Accounting policies

1.1 General information

Great Lakes Insurance UK Limited is a private Company limited by shares and incorporated in the UK and registered in England & Wales. The Company number is 13436330. The Registered Office is 10 Fenchurch Avenue, London, EC3M 5BN.

1.2 Statement of compliance

The financial statements cover those of the individual entity for the year-ended 31 December 2023. These financial statements were prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"' (FRS 102), Financial Reporting Standard 103 'Insurance Contracts' (FRS 103), the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

1.3 Basis of preparation

The financial statements for the year-ended 31 December 2023 were approved for issue by the Board of Directors on 26 March 2024.

The financial statements have been prepared on a going concern basis, under the historical cost accounting rules except for certain financial instruments which are measured at fair value. The financial statements are presented in Sterling which is the Company's functional currency and are rounded to the nearest £'000.

The Company has considered the impact of climate change on the presentation in preparing these financial statements. Climate change risk has been identified as a principal risk (as disclosed in the Strategic Report) however the Company has concluded that there is no material impact on the preparation of these financial statements. The Company's financial investments are measured at fair value in the Statement of Financial Position and therefore reflect market pricing (refer to 1.10 below). The Company's insurance liabilities include the allowance for any climate related effect where known and quantifiable.

Summary of disclosure exemptions

The Company's ultimate parent undertaking, Münchener Rückversicherungs-Gesellschaft AG ("Munich Re") includes the Company in its consolidated financial statements. The consolidated financial statements of Munich Re are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Königinstr. 107, 80802 Munich, Germany or its main UK representative office at 10 Fenchurch Avenue, London, EC3M 5BN.

As the consolidated financial statements of Munich Re include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The requirement of Section 33 Related Party Disclosures paragraph 33.7 in including details of related party transactions and outstanding balances; and
- The requirement of Section 7 Cash Flows paragraph 7.3 to produce a Cash Flow Statement.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 3-8.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the twelve months from the signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out above and in the Strategic report. The Company's Balance Sheet shows net assets of £281,296k as at 31 December 2023 (2022: £222,880k). These include financial investments totalling £800,933k (2022: £218,506k) and cash at bank and in hand of £46,055k (2022: £3,605k).

Notes to the Financial Statements for the Year Ended 31 December 2023

From a financial perspective the Directors continue to assess the Company's ability to continue as a going concern. In doing so, the Directors have made reference to the latest available forecasts for the Company. The Directors also make reference to the Company's Own Risk and Solvency Assessment ("ORSA") which includes stress and scenario testing on the Company's solvency ratio. The Company is also expected to receive further capital injections from its parent company GL in 2024 in line with its approved regulatory business plan.

Based on this information, the Directors have concluded that the Company has adequate financial resources to continue as a going concern for the twelve months from the signing of these financial statements.

Adoption of new and revised standards
The Company has adopted the following new amendments to FRS 102.

The Organisation for Economic Co-operation and Development (OECD) has published model rules for Pillar II - the Global Minimum Tax. The Global Anti-Base Erosion Model Rules apply to multinational enterprises (MNEs) with revenue in excess of EUR 750 million per their consolidated financial statements. In the United Kingdom, in which Great Lakes Insurance UK Limited operates, these are being implemented in local tax legislation.

In July 2023, the FRC issued Amendments to FRS 102 'International tax reform – Pillar Two model rules'. The temporary exception introduced into FRS 102 applies immediately and retrospectively upon issue of the amendments. The effective date for the disclosure requirements is accounting periods beginning on or after 1 January 2023, with early application permitted.

1.4 Key accounting estimates and judgements

In preparing the financial statements, the Directors have made accounting estimates and judgements with respect to insurance contract technical provisions, estimates of future premiums, impairment of financial assets and deferred taxation. There is a risk that the actual results may materially differ from the estimates included within the Company's financial statements.

a) Insurance contract technical provisions
For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date ("IBNR"). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, based on historic claims development data. All of the business underwritten from 1 January 2023 was previously underwritten by GLLB, and all historic claims development data is available for use when estimating technical provisions for the Company.

The main assumption underlying these techniques is that past claims development experience in GLLB, as many of the Company's insurance contracts have been transferred from GLLB and renewed by GLLS, can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by underwriting years, within homogenous segments that reflect the nature of the risks, and for some types of business the size of the claims. Further to this, claims from large market-wide events are analysed and a separate provision made case-by-case. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data from GLLB, on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that represents the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Notes to the Financial Statements for the Year Ended 31 December 2023

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported to the Company.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. The provision for unearned premiums is calculated on a 1/8 method for the majority of the business underwritten in 2023. For some classes of business (being travel single trip and title lines of business, which are earned as written, and one of the MGA's included within the Miscellaneous line of business, which is earned over three years.), the earning pattern is adjusted to reflect the underlying incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Furthermore, there is a requirement to assess the need for an additional provision for unexpired risks. The Company has not recorded any unexpired risk reserve at the year-end.

Insurance contract technical provisions were £890,723k (2022: £nil), including amounts incurred but not reported of £256,575k (2022: £nil), as at 31 December 2023. Further details are given in Note 16/17.

b) Estimated premium income

For certain insurance contracts, premium income is initially recognised based on estimates of ultimate premiums due to the delay in receiving information from the MGAs/co-insurer. These estimates are judgemental and therefore could result in misstatements of revenue recorded in the financial statements. The main assumption underlying these estimates is that past premium development can be used to project future premium development as the book of business was previously underwritten in GLLB.

Premium income estimates are calculated using all available information including business plans and forecasts as well as underwriter estimates. The underwriters adjust their estimated premium income estimates as the underwriting year develops.

The total amount of estimated gross written premium (i.e. pipeline premiums) included in both the Income Statement and the Statement of Financial Position as at 31 December 2023 is £360,824k (2022: £nil).

c) Deferred taxation

The Company makes judgements in order to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits.

Based on the current financial forecasts the Company expects to continue to grow over the next few years, thus enabling the current period losses to be absorbed, resulting in the unwinding of the deferred tax asset. Unrealised investments income losses give rise to deferred tax assets which, if realised, we would expect to be offset against forecast taxable profits in future years.

The Company had a deferred tax asset in respect of losses carried forward of £727k as at 31 December 2023 (2022: £713k).

d) Estimates for expense recharge

The majority of the Company's administrative expenses are incurred by MRUKS and which are then recharged to the Company on a quarterly basis. A significant portion of this recharge relates to personnel costs as the Company does not have any direct employees. Staff employed by MRUKS but who are seconded to GLLS are required to estimate the proportion of time spent working on GLLS matters.

The total amount recharged from MRUKS for the year ended 31 December 2023 was £12,778k (2022: £2,814k).

e) Impairment of assets

The Company makes judgements regarding the recoverable value of financial assets (including financial investments and trade debtors). The Company is applying IFRS 9 *Financial Instruments* (as permitted by FRS 102). In doing so, the Company is required to calculate an Expected Credit Loss in respect of its financial assets. The Company is required to apply assumptions, which are judgemental, in respect of the credit risk associated with its financial assets as well as general economic inputs such as interest rates and economic growth. The credit to financial assets is shown in the Statement of Comprehensive Income and in note 4 to the financial statements.

f) Measurement of financial assets

In determining how financial investments should be held, the Company applies judgement in assessing whether or not these should be held at Amortised cost, Fair value through Other Comprehensive Income or at Fair value through Profit and Loss. In doing so, the Company uses the IFRS 9 measurement principles. The Company has applied the judgment in preparing these financial statements that the financial investments held meet the requirements of IFRS 9 to be held at Fair value through Other Comprehensive Income. See note 1.10 for further details.

1.5 Insurance contracts

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holder), by agreeing to compensate the policy holder if a specified uncertain future event (the insured event) adversely affects the policy holder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. As this was the Company's first year of trading there was no business written in prior reporting periods. They are recognised on the date on which the policy commences, additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of commission and exclude insurance premium taxes.

Written premiums include an estimate for pipeline premiums (i.e. premiums written but not reported to the Company by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that prior year experience of insurance contracts transferred from GLLB will be consistent with current experience.

Written premiums are earned on a time-apportionment basis (using the 1/8 method) except where there is a marked unevenness in the incidence of risk over the period of cover, in which case the premium is earned on a basis which reflects the profile of risk.

Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums may include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Reinsurance premiums are recognised over the period of the policy (usually 12 months) on a straight-line basis in line with the premium paid. Reinsurance premiums on non-proportional arrangements are purchased on a financial year basis and paid in instalments.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

Reinsurance premiums are earned over the period of the policy (usually 12 months) on a straight-line basis except for certain contracts where there is a marked unevenness in the incidence of risk over the period of cover, in which case the premium is earned on a basis which reflects the profile of risk.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums and provisions for unexpired risks.

Claims outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The Company has no Periodic Payment Order ("PPO") obligations as 31 December 2023.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The provision for unearned premiums is calculated on a 1/8 method for the majority of the Company's premium income with the exception of some classes of business where the incidence of risk is not linear. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Provisions for unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts entered into before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together.

Other technical income

Other technical income relates to overriding commissions received on proportional intragroup reinsurance arrangements. The overrider commissions are calculated as a percentage of the premiums ceded. This is on either a written or earned basis depending on the terms of the reinsurance arrangement.

Notes to the Financial Statements for the Year Ended 31 December 2023

Profit commission
Under the terms of certain agreements with MGAs/co-insurers, profit commission is payable by the Company depending on the profitability of the insurance contracts being bound on the Company's behalf by the MGA/co-insurer. The expense is recognised when it is probable that the insurance contracts are profitable in line with the terms of the agreements. Rates are specified in the contract which determine the measurement of the commission payable by the Company.

1.6 Reinsurance assets

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The carrying amount is reduced accordingly and the impairment loss is recognised in the income statement.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

In certain circumstances deposits from reinsurers are also held as collateral. The Company held £83,302k as funds withheld on the balance sheet as at 31 December 2023.

1.7 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

1.8 Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

1.9 Acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

Notes to the Financial Statements for the Year Ended 31 December 2023

1.10 Financial assets and liabilities

As permitted by FRS 102.11.2, the Company has elected to apply the recognition and measurement provisions of IFRS 9 *Financial Instruments* to account for all of its financial instruments.

Financial Assets

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the associated business model for managing these instruments. Financial instruments are initially recognised on the trade date.

Measurement categories

The Company classifies all of its financial assets based on the contractual terms and the business model used for managing the assets. In accordance with IFRS 9, these categories consist of:

- Amortised cost;
- Fair value through Other Comprehensive Income ("FVOCI")
- Fair value through Profit and Loss ("FVTPL")

Financial instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model that has the objective of collecting contractual cash flows; and
- The contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company determines its business model on the basis of how it manages groups of financial assets to achieve its business objective. The Company holds financial assets both to generate returns and to form a capital base from which to settle its insurance liabilities as and when they arise.

The Company's business model is assessed at the higher level of aggregated investment portfolios that is based on factors such as:

- How the financial investments held in this business model are reported to the Company's key management personnel
- The expected frequency, value and timing of any asset sales

The Company also then assesses whether the contractual terms of the assets held meets the SPPI test. In order to perform the test, the Company applies judgement in determining the outcome.

Fair value through Other Comprehensive Income

The Company classifies debt instruments as FVOCI when both of the following conditions are met:

- The instrument is held within a business model which has the objective of both collecting contractual cash flows and selling assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments that are classified as FVOCI are held to collect contractual cash flows and can be sold in order to provide the Company with liquidity as and when it is required.

Fair value through Profit and Loss ("FVTPL")

Financial assets measured as FVTPL are those that have been designated by the Company at initial recognition or those that are required to be measured as such because they fail the SPPI test.

Subsequent measurement

Amortised cost

Debt instruments measured at amortised cost are subsequently measured using the effective interest rate ("EIR") with any allowance for impairment also taken into consideration.

Fair value through Other Comprehensive Income ("FVOCI")

FVOCI debt instruments are subsequently measured at fair value with any gains or losses in fair value being recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains or losses (where applicable) are recognised in the Income Statement. On derecognition, any gains or losses recognised in OCI are reclassified to the Income Statement.

Fair value through Profit and Loss ("FVTPL")

Financial assets measured as FVTPL are measured at fair value and any changes to fair value are recognised in the Income Statement.

Reclassification

The Company does not reclassify the measurement category applied to financial assets on initial recognition.

Derecognition

Financial assets are derecognised either when the rights to receive cash flows has expired or the Company has transferred the rights to receive cash flows.

Impairment

The Company recognises an Expected Credit Loss ("ECL") for all debt instruments not held as FVTPL. ECLs are calculated as being the difference between the contractual cash flows and the cash flows the Company expects to receive.

The Company recognises an initial ECL, based on default events within the following 12 month period, where there has been no significant increase in credit risk. Where there has been a significant increase in credit risk, the Company extends the period of assessment from 12 months to the lifetime of the financial asset.

The key inputs to the calculation of the ECL are the probability of default, the exposure at default and the loss given default.

ECLs are calculated for debt instruments measured as FVOCI however these do not reduce the carrying value on the Statement of Financial Position. Instead, the ECL is recorded within OCI with a corresponding charge to the Income Statement.

Financial Liabilities

Initial recognition

Financial liabilities comprise subordinated guaranteed notes which are initially measured at the consideration received less related transaction costs.

Subsequent measurement

Subsequently, subordinated liabilities are measured at amortised cost using the effective interest rate method.

1.11 Net investment return

Investment return comprises all investment income and realised investment gains and losses, net of investment expenses charges and interest. Realised gains and losses are calculated as the difference between the sale proceeds and the amortised cost.

1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand as well as short-term deposits with an original maturity date of three months or less.

1.13 Foreign currencies

The Company's functional currency and presentational currency is Sterling. Transactions denominated in currencies other than the functional currency are initially recorded at the exchange rate in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the exchange rate ruling at the reporting date.

Notes to the Financial Statements for the Year Ended 31 December 2023

1.14 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

2. Risk management

Framework

This note presents information about the nature and extent of insurance and financial risks to which the Company is exposed, the Company's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Company's capital.

The Board sets risk appetite annually as part of the Company's business planning and Solvency Capital Requirement process. Risk appetite is subsequently reviewed by the Company on a periodic basis. The Company has a Risk Management Function which monitors performance against risk appetite on a quarterly basis. The Board Risk Committee acts in an advisory capacity to the Board, to assist in their duty of ensuring an effective risk management system within GLLS.

The Company is required to comply with the requirements of the PRA and the FCA. The Compliance Officer monitors regulatory developments and assesses the impact on the Company's risk policy. The principal risks and uncertainties, in addition to the regulatory and compliance risk facing the Company are monitored of which Insurance Risk is by far the most significant to the Company.

a) Governance framework

The primary objective of the Company's risk and financial management framework is to ensure continuing capabilities to meet all policyholder obligations, to enable the Company to generate sustainable shareholder value and to protect the reputation of GLLS, GL and therefore of the Munich Re Group. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees (including the Board Risk Committee) and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. Lastly, a company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The Board of Directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'.

Notes to the Financial Statements for the Year Ended 31 December 2023

b) Capital management objectives, policies and approach

The Company's overall capital management strategy is to optimise capital usage in line with the Business Strategy, risk appetite and overall steering philosophy. This is done whilst embracing economic steering concepts to the largest extent possible, but being flexible enough to reflect other important constraints, such as fulfilling all applicable regulatory capital.

Capital management decisions must therefore strike a balance between efficient use of capital, economic value creation for shareholders and shaping the risk profile such that policyholders and other stakeholders, as well as GLLS's reputation, are protected.

The Company's available financial resources (being the EOF) must always be sufficient to cover the capital requirements determined by the ruling requirements of the PRA and the risk appetite and target set by the GLLS Board. GLLS aims to have sufficient capital to be prepared for capital shortages, as well as to take advantage of opportunities for profitable growth over the planning horizon.

The Company's business model requires a strong capitalisation for which GLLS aims to pay its shareholder GL a reliable return.

GLLS benefits from the parental support and financial strength of GL (which is in turn supported by its immediate parent Munich Re AG). GL can provide a capital injection or capital relief, at short notice. As part of the GLLS application to the PRA, GLLS agreed with GL capital commitments of £225m in 2022, an additional £70m until the end of 2023 and a further £45m over the course of 2024 – 2026[1]. The 2022 and 2023 amounts have been received by the Company in line with the application.

As part of GL, GLLS forms part of the Whole Portfolio Risk Criteria framework to safeguard both financial strength regarding SII and to manage risk of financial distress within a specified risk tolerance.

A reconciliation of the Company's shareholders' equity to own funds is as follows:

	2023 £'000	2022[2] £'000
Shareholders' equity	**281,296**	222,880
Measurement differences of technical provisions for Solvency II	**320,700**	-
Fair value adjustment for Solvency II	**(335,888)**	-
Tier II debt at fair value	**91,197**	-
Change in deferred tax	**3,597**	(5)
Solvency II own funds	**360,902**	222,875
SCR	**226,542**	62,064
Solvency II own funds to SCR	**159%**	359%

Note

1. The capital commitments are based on Standard Formula SCR Projections.
2. 2022 comparatives are unaudited.

c) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. Premium risk denotes the risk that premiums collected are insufficient to cover our future contractual obligations. Reserve risk is the risk that the recognised loss reserves will be insufficient to cover all eligible future claims. The Company is also exposed to insurance concentration risk specifically with regards to geographic and sector concentration risk. This is because the Company only underwrites in the UK (and Channel Islands) and also focuses mainly on the retail and small commercial sectors. The Company mitigates this risk through regular reviews of its insurance portfolio as well as the purchase appropriate reinsurance covers.

Notes to the Financial Statements for the Year Ended 31 December 2023

To mitigate this risk, the Company aims to maintain a portfolio where insurance risks are appropriately diversified. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single external reinsurer nor are the operations substantially dependent upon any single reinsurance contract. There is no single external counterparty exposure that exceeds 10% of total reinsurance assets at the reporting date. The Company has material reinsurance arrangements with internal group counterparties. These arrangements operate on a funds withheld basis. These counterparties comprised 87% of total reinsurer share of claims outstanding as at the reporting date.

The Company principally issues the following types of general insurance contracts: motor, household, commercial property, travel and health, liability, title and pet. Risks usually cover twelve-month duration.

To mitigate this risk, the Company aims to maintain a portfolio where insurance risks are appropriately diversified. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account and monitoring inflation trends when estimating insurance contract liabilities, handling claims, managing exposure and pricing.

The Company also limits exposure by imposing maximum claim amounts on contracts where legally allowable as well as using outwards reinsurance to limit exposure to adverse losses further, based on the Company's risk appetite as decided by the Board. The Company's reinsurance strategy aligns with its risk and capital strategy in order to achieve an optimised risk composition between insurance, credit and other risks. The key drivers behind the reinsurance strategy are to ease new business strain, reduce exposure to catastrophe losses and limit exposure to adverse loss frequency. The Company also aims to maintain a ratio of approximately 70% net to gross premiums.

Notes to the Financial Statements for the Year Ended 31 December 2023

The table below sets out the concentration of outstanding claim liabilities by type of contract:

	2023 Gross liabilities £'000	2023 Re-insurance of liabilities £'000	2023 Net liabilities £'000	2022 Gross liabilities £'000	2022 Re-insurance of liabilities £'000	2022 Net liabilities £'000
Motor vehicle liability	161,855	(28,512)	133,343	-	-	-
Other motor	52,997	(4,966)	48,031	-	-	-
Fire and other damage to property	48,135	(37,639)	10,496	-	-	-
Medical expenses	41,781	-	41,781	-	-	-
Miscellaneous financial loss	36,283	(13,945)	22,338	-	-	-
General liability	20,918	(13,659)	7,259	-	-	-
Marine, aviation and transport	3,285	-	3,285	-	-	-
Credit and suretyship	189	(189)	-	-	-	-
Income protection	141	-	141	-	-	-
Assistance	3	-	3	-	-	-
Total	365,587	(98,910)	266,677	-	-	-

Sensitivities

If the cost of claims over all classes of business were to increase the net loss ratio (net incurred claims as a proportion of net earned premium) by 1% there would be an increase in the reported loss as set out below:

	2023 £'000	2022 £'000
Total net impact on technical account for general business	2,278	-

(d) Financial risk

(1) Credit risk

Credit risk is defined as the financial loss that GLLS could incur as a result of a change in the financial situation of a counterparty, such as an issuer of securities or other company with a receivable due to GLLS.

The following policies and procedures are in place to mitigate the exposure to credit risk:

• Net exposure limits are set for each counterparty or group of counterparties, geographic and industry segment (i.e. limits are set for investments and cash deposits and minimum credit ratings for investments that may be held).

• Guidelines determine when to obtain collateral and guarantees (i.e. certain transactions are covered by collateral and guarantees are only taken out with counterparties that have a suitable credit rating). The amounts subject to credit risk are limited to the fair value of 'in the money' financial assets against which the Company either obtains collateral from counterparties or requires margin deposits. Collateral may be sold or repledged by the Company and is repayable if the contract terminates or the contract's fair value falls.

• Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

• The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

Notes to the Financial Statements for the Year Ended 31 December 2023

• The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2023	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other financial investments	800,933	-	-	800,933
Reinsurers' share of claims outstanding	98,910	-	-	98,910
Debtors arising out of direct insurance operations	377,147	-	-	377,147
Debtors arising out of reinsurance operations	3,752	-	-	3,752
Other debtors	18,172	-	-	18,172
Cash at bank and in hand	46,055	-	-	46,055
Other assets	-	-	-	-
	1,344,969	-	-	1,344,969

31 December 2022	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other financial investments	218,506	-	-	218,506
Reinsurers' share of claims outstanding	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-
Debtors arising out of reinsurance operations	-	-	-	-
Other debtors	713	-	-	713
Cash at bank and in hand	3,605	-	-	3,605
Other assets	56	-	-	56
	222,880	-	-	222,880

The Company classifies items past due or impaired once the amount has past the time period for settlement allowed for under the terms of trade.

Notes to the Financial Statements for the Year Ended 31 December 2023

The table below provides information regarding the credit risk exposure of the Company at 31 December 2023, by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. The maximum exposure is shown gross, before the effect of mitigation through collateral arrangements.

31 December 2023	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Other financial investments	324,426	374,697	70,965	30,845	-	800,933
Reinsurers' share of claims outstanding	-	88,267	10,643	-	-	98,910
Debtors arising out of direct insurance operations	-	-	-	-	377,147	377,147
Debtors arising out of reinsurance operations	-	3,752	-	-	-	3,752
Other debtors	-	11,671	-	-	6,501	18,172
Cash at bank and in hand	-	-	46,055	-	-	46,055
Other assets	-	-	-	-	-	-
	324,426	478,387	127,663	30,845	383,648	1,344,969

31 December 2022	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Other financial investments	34,464	179,041	-	-	5,001	218,506
Reinsurers' share of claims outstanding	-	-	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-	-	-
Debtors arising out of reinsurance operations	-	-	-	-	-	-
Other debtors	-	-	-	-	713	713
Cash at bank and in hand	-	-	-	-	3,605	3,605
Other assets	-	-	-	-	56	56
	34,464	179,041	-	-	9,375	222,880

Maximum credit exposure

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Munich Re rating policy. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The primary collateral held by the Company are intergroup reinsurance arrangements operated on a funds withheld basis where the Company holds cash on the balance sheet within certain limits. The total value of funds withheld as at the reporting date was £83,302k (2022: £nil).

Notes to the Financial Statements for the Year Ended 31 December 2023

(2) Liquidity risk
Liquidity risk is defined as the risk of incurring financial losses resulting from the inability to meet payment obligations when they fall due, due to holding insufficient liquid assets. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

• A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Board risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

• Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.

• A liquidity crisis plan is set up, which describes the responsibilities and procedures to be adopted in the event the Company experiences a material unplanned surge in liquidity outflows as well as specifying events that would trigger such plans.

Maturity profiles
The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2023	**Carrying amount £'000**	**Up to 1 year £'000**	**1-2 years £'000**	**2-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Subordinated liabilities	90,562	562	-	-	90,000	90,562
Outstanding claim liabilities	365,587	220,021	60,574	61,155	23,837	365,587
Deposits received from reinsurers	83,302	12,075	23,888	35,382	11,957	83,302
Creditors arising out of insurance operations	45,654	45,654	-	-	-	45,654
Creditors arising out of reinsurance operations	154,724	154,724	-	-	-	154,724
Other creditors including taxation and social security	44,257	44,257	-	-	-	44,257

31 December 2022	**Carrying amount £'000**	**Up to 1 year £'000**	**1-2 years £'000**	**2-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Subordinated liabilities	-	-	-	-	-	-
Outstanding claim liabilities	-	-	-	-	-	-
Deposits received from reinsurers	-	-	-	-	-	-
Creditors arising out of insurance operations	-	-	-	-	-	-
Creditors arising out of reinsurance operations	-	-	-	-	-	-
Other creditors including taxation and social security	-	-	-	-	-	-

Notes to the Financial Statements for the Year Ended 31 December 2023

(3) Market risk

Market risk is defined as the risk of economic losses resulting from price changes in the capital markets. Market risk comprises two types of risk:

(a) currency risk; and

(b) interest rate risk;

The following policies and procedures are in place to mitigate the exposure to market risk:

For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of assets to the technical provisions they are backing. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the Company primarily transacts its insurance business in GBP (including the related investment cash flows) its exposure to currency risk is minimal. As at the reporting date around 100% of total assets and around 100% of total liabilities were held in GBP.

(b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed rate instruments expose the Company to fair value interest risk. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity. The Company is exposed to some degree of interest rate risk however this is not deemed to be significant as the majority of financial instruments held have short term maturities (i.e. less than 3 years). The Company mitigates interest rate risk through appropriate asset – liability matching. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

	2023	**2022**
	£'000	**£'000**
Impact on profit before tax		
50 basis point increase	6,179	1,295
50 basis point decrease	(6,179)	(1,295)

	2023	**2022**
	£'000	**£'000**
Impact on equity		
50 basis point increase	4,634	971
50 basis point decrease	(4,634)	(971)

3. Analysis by class of business

	Accident and health	Motor (third party liability)	Motor (other classes)	Marine, aviation and transport	Fire and other damage to property	Third-party liability	Credit and suretyship	Assistance	Miscellaneous	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2023										
Gross premiums written	**145,518**	**454,602**	**168,942**	**14,484**	**164,644**	**81,117**	**772**	**12**	**118,926**	**1,149,017**
Gross premiums earned	104,158	221,269	83,503	10,198	79,670	36,345	386	11	88,341	**623,881**
Gross claims incurred	(52,914)	(186,791)	(70,622)	(3,751)	(50,223)	(21,136)	(190)	(3)	(47,704)	**(433,334)**
Gross operating expenses	(51,846)	(49,361)	(18,713)	(6,902)	(33,017)	(16,008)	(397)	(6)	(43,049)	**(219,299)**
Reinsurance balance	(746)	(2,812)	(477)	(29)	(435)	(2,535)	201	-	(2,093)	**(8,926)**
	(1,348)	**(17,695)**	**(6,309)**	**(484)**	**(4,005)**	**(3,334)**	**0**	**2**	**(4,505)**	**(37,678)**

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions.

All contracts were written in the UK and the Channel Islands. The Company did not underwrite in the 2022 financial year and therefore there are no comparative values to disclose.

Notes to the Financial Statements for the Year Ended 31 December 2023

4. Net investment income

	2023 £'000	2022 £'000
Investment income		
Income from investments	**17,159**	804
Gains on the realisation of investments[2]	**1,683**	-
Total investment income	**18,842**	804
Investment expenses and charges		
Investment management expenses	**(328)**	7
Change in expected credit loss[1,3]	**(104)**	(18)
Losses on the realisation of investments[2]	**(2,435)**	(48)
Total investment expenses and charges	**(2,867)**	(59)
Net investment income	**15,975**	745

Note

1. Loss allowance is measured at an amount equal to 12-month expected credit loss.
2. These include net gains recycled from the Statement of Comprehensive Income of £792k (2022: £nil).
3. This includes £79k of changes taken to the Statement of Comprehensive Income (2022: £18k), and £25k which has subsequently been realised.

5. Net operating expenses

	2023 £'000	2022 £'000
Acquisition costs[1]	**352,993**	-
Change in deferred acquisition costs	**(145,187)**	-
Administrative expenses[2]	**11,493**	-
Gross operating expenses	**219,299**	-
Reinsurers' share of deferred acquisition costs	**37,824**	-
Reinsurance commissions	**(84,671)**	-
Net operating expenses	**172,452**	-

Note

1. Included in acquisition costs are £343,361k in relation to commissions paid for direct business (2022: £nil).
2. In 2022, the Company incurred £2,865k of pre-trading expenses. These have not been shown above as they were included in the non-technical account.

Staff costs and Directors remuneration

All members of staff are employed by MRUKS and seconded back to the Company. Staff costs are charged back to the Company on the basis of the time spent by those relevant Directors and employees on the Company's affairs.

6. Staff costs

	2023 £'000	2022 £'000
Wages and salaries	**6,040**	1,474
Social security costs	**1,073**	221
Pension costs	**518**	188
Total	**7,631**	1,883

Notes to the Financial Statements for the Year Ended 31 December 2023

7. Directors' remuneration

	2023 £'000	2022 £'000
Directors' remuneration	**843**	186
Company contributions to pension schemes	**38**	5
Total	**881**	191

The Directors remuneration consists of amounts paid to the Directors for services to the Company. The remuneration of the highest paid Director was £205k (2022: £42k) in addition to pension scheme contributions of £13k (2022: £2k). Retirement benefits accrue to nil (2022: nil) Directors under a defined benefit pension scheme and 3 Directors (2022: 3) under a defined contribution scheme.

For the purpose of this report all key management personnel consist of Directors.

8. Auditor's remuneration

Fees payable to the Company's auditor:	2023 £'000	2022 £'000
For the audit of the Company's annual accounts	**260**	38
For other services pursuant to legislation	**43**	-
Total	**303**	38

9. Taxation

(a) Analysis of charge in the period

Tax charged/(credited) in the income statement:

	2023 £'000	2022 £'000
Current taxation		
UK corporation tax credit for current year	**5,235**	-
UK corporation tax adjustment to prior periods	**(141)**	-
Total current income tax	**5,094**	-
Deferred taxation		
Arising from losses carried forward	**-**	530
Adjustment to prior year loss carried forward	**186**	-
Arising from other temporary differences	**8**	-
Total deferred taxation	**194**	530
Total tax credit	**5,288**	530

(b) Factors affecting the tax charge for the current period

The tax credit in respect of loss before tax for the year is slightly higher than the standard rate of corporation tax in the UK of 23.5% (weighted average of statutory rate of 19% to April 2023 and 25% from April 2023) due to an adjustment to the loss carried forward from the year ended 31 December 2022.

The difference is reconciled below:

	2023 £'000	2022 £'000
Loss before tax	**22,277**	2,120
Tax on loss calculated at standard rate	**5,235**	403
Rate differences	**53**	127
Total tax credit	**5,288**	530

Notes to the Financial Statements for the Year Ended 31 December 2023

(c) Tax relating to items recognised in other comprehensive income or equity

	2023 £'000	2022 £'000
Deferred tax related to items recognised as items of other comprehensive income	**(1,802)**	183

(d) Deferred tax assets / (liabilities)

An analysis of the movement in deferred tax is as follows:

Assets/(liabilities)	**2023 £'000**	**2022 £'000**
At 1 January	**713**	-
Deferred tax charge to profit and loss account	**194**	530
Deferred tax charge to other comprehensive income	**(1,802)**	183
At 31 December	**(895)**	713
Deferred tax asset	**727**	713
Deferred tax liability	**(1,622)**	-
At 31 December	**(895)**	713

The UK Finance (No.2) Act 2023, enacted in July 2023, contains the UK's provisions addressing the implementation of BEPS Pillar Two. These regulations have already been implemented and come into force on January 1, 2024. The UK legislation confirms that the transitional safe harbour provisions apply to both UK Income inclusion rules (IIR) and Qualified Domestic Minimum Top-up Tax (QDMTT). The legislation includes an election to apply a transitional safe harbour based on the country-by-country reporting (CbCR) rules for accounting periods commencing on or before 31 December 2026 and ending on or before 30 June 2028.

Great Lakes Insurance UK Limited operates in the United Kingdom and is subject to the scope of these enacted tax laws. It has analysed the potential impact on itself and other impacted UK entities within the Munich Re group. Following an analysis of the CbCR data for 2023 for the UK gives a preliminary effective tax rate in the United Kingdom in which this entity operates of 24%, which is above the OECD minimum domestic top-up tax rate of 15%.

As the local tax laws on Pillar II do not apply until 1 January 2024 and Great Lakes Insurance UK Limited has opted to use the mandatory exception under FRS 102 from the obligation to recognise and disclose deferred tax assets and liabilities, there were no tax effects from global minimum taxation in 2023.

10. Other financial investments

All financial investments are valued at fair value through other comprehensive income.

The below tables analyse the financial investments held at the Company's balance sheet date by its level in the fair value hierarchy:

2023		**Fair value hierarchy**			
	Purchase Price £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total[1] £'000**
Fixed income securities	754,410	**-**	770,922	-	770,922
Short-term cash deposits	30,000	30,011	**-**	**-**	30,011
Total	**784,410**	**30,011**	**770,922**	-	**800,933**

2022		Fair value hierarchy			
	Purchase Price £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total[1] £'000**
Fixed income securities	212,788	-	213,505	-	213,805
Short-term cash deposits	5,000	5,001	-	-	5,001
Total	217,788	5,001	213,505	-	218,506

Note

1. These include investments totalling £426,806k with maturity dates after 31 December 2024 (2022: £103,530k with maturity dates after 31 December 2023).

Valuation hierarchy

The Company classifies its financial investments held at fair value in its Statement of Financial Position using a fair value hierarchy as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs)

11. Other debtors

	2023 £'000	2022 £'000
Deferred tax asset[1]	**727**	713
Current tax asset	**5,235**	-
Amounts owed by Group Undertakings (see note 20)	**11,671**	-
Other debtors	**539**	-
Total	**18,172**	713

Note

1. These are non-current deferred tax assets.

12. Authorised share capital

	No	2023 £'000	No	2022 £'000
Authorised, allotted and issued	**295,000,001**	**295,000**	225,000,001	-
Fully paid ordinary shares of £1 each	**295,000,001**	**295,000**	225,000,001	225,000

The Company issued and allotted a total of 1 ordinary share, valued at £1, during 2021. 10,000,000 £1 shares were issued on 22 July 2022 with a further 215,000,000 £1 shares issued on 22 November 2022. The Company issued a further 70,000,000 shares for £70m consideration on 15 November 2023.

13. Reserves

Fair value reserve

The fair value reserve records the unrealised fair value gains/losses, net of deferred taxation, on debt instruments classified as Fair Value Through Other Comprehensive Income ("FVOCI").

Investments revaluation reserve	2023 £'000	2022 £'000
At 1 January	**(530)**	**-**
Revaluation during the year gross	**7,207**	**(713)**
Revaluation during the year tax	**(1,802)**	**183**
At 31 December	**4,875**	**(530)**

Notes to the Financial Statements for the Year Ended 31 December 2023

14. Deferred acquisition costs

	Gross	Reinsurers' share	2023 Net	Gross	Reinsurers' share	2022 Net
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	-	-	-	-	-	-
Commissions written in the year	352,993	(84,671)	268,322	-	-	-
Commissions incurred in the year	(207,806)	46,847	(160,959)	-	-	-
At 31 December	145,187	(37,824)	107,363	-	-	-

15. Provision for unearned premiums

	Gross	Reinsurers' share	2023 Net	Gross	Reinsurers' share	2022 Net
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	-	-	-	-	-	-
Premiums written in the year	1,149,017	(300,390)	848,627	-	-	-
Premiums earned in the year	(623,881)	160,582	(463,299)	-	-	-
At 31 December	525,136	(139,808)	385,328	-	-	-

16. Claims outstanding

	Gross	Reinsurers' share	2023 Net	Gross	Reinsurers' share	2022 Net
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	-	-	-	-	-	-
Claims incurred in current accident year	**433,334**	**(100,902)**	**332,432**	-	-	-
Claims incurred in prior accident years	-	-	-	-	-	-
Claims paid during the year	**(67,747)**	**1,992**	**(65,755)**	-	-	-
At 31 December	**365,587**	**(98,910)**	**266,677**	-	-	-

17. Claims development

The following tables illustrate the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. In setting claims reserves the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty.

In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the adequacy of reserves is high. As claims develop and the ultimate cost of claims becomes more certain, the level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Notes to the Financial Statements for the Year Ended 31 December 2023

Claims development table gross of reinsurance

	2023 £'000	Total £'000
Estimate of cumulative claims		
At end of underwriting year	433,334	**433,334**
Less gross claims paid	(67,747)	**(67,747)**
Total gross claims reserve	365,587	**365,587**

Claims development table net of reinsurance

	2023 £'000	Total £'000
Estimate of cumulative claims		
At end of underwriting year	332,432	**332,432**
Less net claims paid	(65,755)	**(65,755)**
Total net claims reserve	266,677	**266,677**

18. Subordinated liabilities

	2023 £'000	2022 £'000
6.00% Great Lakes Insurance SE (UK Branch) 23/33	**90,562**	**-**

The Company entered into a subordinated loan arrangement with GL on 15 November 2023. The loan had a disbursement date on 23 November 2023 and has a fixed interest rate of 6%. Interest is payable annually in arrears on 23 November of each year and the loan is repayable in full 10 years from the disbursement date.

The loan is an unsecured, subordinated obligation of the Company. In the event of a winding-up or of bankruptcy, this is to be repaid only after the claims of all other senior creditors have been met.

The total amount of interest charged to the income statement for the year-ending 31 December 2023 was as follows:

	2023 £'000	2022 £'000
Interest on subordinated loan	**562**	**-**
Bank interest	**12**	**-**
	574	**-**

19. Other creditors including taxation and social security

	2023 £'000	2022 £'000
Corporation tax payable	**142**	**-**
Insurance premium tax payable	**41,931**	
Other creditors	**2,184**	**-**
Total	**44,257**	**-**

20. Related party balances

The Company has taken advantage of the exemption, under FRS 102.33.1A, from disclosing transactions with other group entities which qualify as related parties.

The Company had the following amounts outstanding due from other group entities at the balance sheet date:

Group Entity	**2023**	**2022**
	£'000	**£'000**
GL	**11,671**	-
MRDP	**1,129**	-
ETI	**9,000**	-
ERGO UK	**3,113**	-
Total	**24,913**	-

The Company had the following amounts outstanding due to other group entities at the balance sheet date:

Group Entity	**2023**	**2022**
	£'000	**£'000**
GL	**91,516**	-
Munich Re	**39,449**	-
ERGO	**45,228**	-
MEAG	**60**	-
Total	**176,253**	-

Munich Re UK Services Limited ("MRUKS")

MRUKS is a wholly owned subsidiary of Munich Re and provides administrative services to the Company (including seconded staff). There were no outstanding balances with MRUKS at the year-end.

C. Weston and J. Shi are directors of MRUKS.

Great Lakes Insurance, S.E. ("GL")

The Company is a wholly owned subsidiary of GL. GL is a primary insurer domiciled in Munich and is a wholly owned subsidiary of Munich Re. GL has provided funding to the Company in the year (via Great Lakes Insurance, S.E. UK Branch) and as at the year-end the Company had a subordinated loan liability owed to GL of £90,562k. The Company also had an outstanding net liability of £954k to GL as at the year-end for other charges.

As at the year-end GL owed the Company £11,671k in respect of direct insurance business. This amount is included within other debtors.

C. Carus is a director of GL.

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich ("Munich Re")

The Company is an indirect wholly owned subsidiary of Munich Re. In addition, the Company also has proportional and non-proportional reinsurance arrangements with Munich Re in respect of certain MGAs that have been underwritten in the 2023 financial year. The net outstanding balance with Munich Re as at the year-end is a liability of £39,449k.

ERGO Versicherung Aktiengesellschaft ("ERGO")

ERGO is a primary insurance company which is part of the Munich Re Group. The Company has proportional reinsurance arrangements with ERGO in respect of an MGA that is part of the ERGO Group and also for which the Company underwrites through. The net outstanding balance with ERGO as at the year-end is a liability of £45,228k.

Munich ERGO Asset Management GmbH ("MEAG")

MEAG provides investment management services to the Company. The net outstanding balance as at the year-end was a liability of £60k.

Notes to the Financial Statements for the Year Ended 31 December 2023

ERGO Travel Insurance Services Limited ("ETI")

ETI is a wholly owned subsidiary of the Munich Re Group and operated as an MGA partner to the Company in the 2023 financial year. The net outstanding position as at the year-end is a net asset of £9,000k.

ERGO UK Specialty Limited ("ERGO UK")

ERGO UK is a wholly owned subsidiary of the Munich Re Group and operated as an MGA partner to the Company in the 2023 financial year. The net outstanding position as at the year-end is a net asset of £3,113k.

Munich Re Digital Partners ("MRDP")

MRDP is a wholly owned subsidiary of the Munich Re Group and operated as an MGA partner to the Company in the 2023 financial year. The net outstanding position as at the year-end is a net asset of £629k.

21. Ultimate parent undertaking

The Company's parent, GL, is a wholly owned subsidiary of Munich Re. Copies of the GL company financial statements and the Munich Re consolidated financial statements may be obtained from Königinstr. 107, 80802 Munich, Germany or its main UK representative office at 10 Fenchurch Avenue, London, EC3M 5BN.

22. Post balance sheet events

There have been no adjusting or non-adjusting post balance sheet events.

Appendix A: Tax Strategy (Unaudited)

1. Introduction

GLLS (as part of the Munich Re Group) has adopted the Munich Re Group's tax strategy. The text below sets out Munich Re's approach to managing tax risk and compliance. The document is published to comply with the requirements of paragraph 22 Schedule 19 Finance Act 2016 and it aims to provide clarity on Munich Re's risk appetite and its approach to managing tax risk for both internal and external users; it is publicly available at www.munichre.com.

At Munich Re, we attach great importance to responsible and sustainable company management. Corporate governance as well as sustainable risk management direct our day-to-day actions and help determine our long-term strategic decisions. In addition, corporate responsibility is an essential component of our Group and our strategy is built on "Company success through responsibility". Munich Re's Code of Conduct binds our management and staff to engage in ethically and legally impeccable conduct.

In terms of our attitude towards taxation, Munich Re is a fair and reliable partner to its clients, its employees, its shareholders and all other external regulatory compliance parties (including HM Revenue & Customs ("HMRC")). We are committed to acting in a prudent and responsible manner. We are an open, transparent and dependable taxpayer. Further information regarding our approach to tax matters globally can be found in Munich Re's Tax Transparency Report, the most recent version of which is also publicly available at https://www.munichre.com/en/company/corporate-responsibility/download-center.html.

2. Our approach to risk management and governance arrangements in relation to taxation

As taxation is a key element in meeting our wider business objectives, the Directors of our various UK business operations provide leadership in respect of our approach to taxation. In addition, as certain of our businesses are also regulated in the UK, we ensure that tax risk management is embedded as part of our wider Enterprise Risk Management procedures as well as the requirements, where applicable, of the Senior Managers and Certification Regime (SM&CR).

From an operational perspective, we have processes in place for identifying and addressing current and future tax risks across the full 'record to report' life cycle. This involves engagement with all key internal stakeholders (Finance, HR and Tax). Where appropriate, senior level committees provide regular oversight. Due to our international corporate structure, we ensure that we remain connected on a global basis and that appropriate arm's length pricing is in place for cross border transactions.

Our internal review system (and, as appropriate, use of external assistance) supports the various Senior Accounting Officers in certifying to HMRC that we have appropriate tax accounting arrangements. Additionally, all tax returns and other submissions to HMRC are checked and validated internally prior to submission. Where we consider that we do not have the necessary in-house resource to fulfil our tax compliance obligations, we appoint external advisors to help manage this tax risk.

Where appropriate, we seek to utilise tax authority approved structures to facilitate our business. We obtain advice from appropriately qualified external advisors on specialist UK and non-UK tax matters such as transfer pricing, direct and indirect tax and employment tax matters. This supplements the skills of our own Finance team in appropriate cases. In addition, for all UK taxes we ensure adequate training is provided to help identify new and emerging risks. For all tax processes there are clear accountability, reporting and escalation lines in place with Group Tax in Germany and with the Head of UK Tax in London.

We are committed in respect of all areas within our control to maintain "low risk" ratings from HMRC.

Appendix A: Tax Strategy (Unaudited)

3. Tax risk appetite

As with our broader business risk appetite, we have a low tolerance towards tax risk (across all taxes) and do not make use of tax planning which does not support genuine commercial activity. We seek to minimise the risk of a dispute with HMRC by being open and transparent about our tax affairs and by engaging on a real-time basis.

The tax consequences of significant transactions (including internal restructuring and changes to IT systems) are considered by the senior stakeholders (including our UK tax specialists and Group Tax) as part of their deliberations on the transactions in question. Wherever relevant we would also seek the opinion of external advisors to ensure that the tax impacts of any transaction are aligned with our corporate responsibilities.

We manage our ongoing and future tax risk by meeting regularly with HMRC to discuss significant current and recent transactions and to share details of any proposed significant transaction with them prior to implementation. In cases of significant uncertainty, we would seek advance clearance from HMRC.

4. Our approach towards our dealings with HMRC

We are committed to maintaining an open, transparent and collaborative approach in our dealings with tax authorities. In the UK, we engage with HMRC through our Customer Compliance Manager to discuss our tax affairs on a timely basis. Across all taxes we strive to ensure, wherever feasible, consistency in approach and reporting across all the different UK businesses.

We take care to ensure that our tax affairs are reported accurately. If in the unlikely event that we identify an error in a submitted tax return, we would seek to voluntarily disclose it to HMRC.

In summary, Munich Re is committed to ensuring it pays the right amount of tax in the UK and to working collaboratively with HMRC to ensure it is considered a low risk business.