

Registration number: 13436330

Great Lakes Insurance UK Limited  
(formerly Great Lakes Services UK Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2022

# Great Lakes Insurance UK Limited

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## Great Lakes Insurance UK Limited

### Company Information

<b>Directors</b>	Timothy Carroll	(Non-executive Chair)
	Nicolas Brown	(Non-executive)
	Kathrine Coates	(Non-executive)
	Lesley Watkins	(Non-executive)
	Christoph Carus	(Non-executive)
	Tony Ayles	
	Jessie Shi	
	Claire Weston	

<b>Company secretary</b>	Jana Zaujecova
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<b>Registered Office</b>	10 Fenchurch Avenue London EC3M 5BN
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<b>Auditors</b>	Ernst & Young LLP 25 Churchill Place London E14 5EY
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## Great Lakes Insurance UK Limited

### Strategic Report for the Year Ended 31 December 2022

The Directors of Great Lakes Insurance UK Limited (“GLLS”), formally Great Lakes Services UK Limited, present their Strategic Report for the year ended 31 December 2022.

#### Principal Activities

The principal activity of Great Lakes Insurance UK Limited (“the Company”) is that of a primary insurance undertaking. Whilst the Company did not transact any insurance business in 2022, the main activity undertaken by the Company was the set up and preparation for the commencement of underwriting from 01 January 2023.

The Company was incorporated on 03 June 2021 and is a wholly owned subsidiary of Great Lakes Insurance, S.E. (“GLISE”) a company registered in Munich, Germany. GLISE is a subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (“Munich Re”). 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”).

The Company will underwrite primarily UK direct insurance business through a portfolio of Managing General Agents (“MGAs”). This business underwritten by the Company will be both direct retail and commercial risks primarily in the following lines of business:

- Motor
- Household
- Property
- Travel and Health
- Pet

#### Business Review and key performance indicators

For the year-ended 31 December 2022, the Company did not transact any underwriting business. As part of the Company’s preparation to commence underwriting from 01 January 2023, the Company received two share capital injections from its direct parent company being GLISE. £10m was received on 20 July 2022 and a further £215m was received on 22 November 2022. In return the Company issued 225,000,000 £1 ordinary shares to GLISE.

The key performance indicators for the Company for the year-ending 31 December 2022 are as below:

Measure	Unit	2022	2021
Net investment income	£’000	737	-
Investment return*	%	0.66%	-
Expenses	£’000	2,865	-
Loss before tax	£’000	2,120	-
Equity	£’000	222,880	-

Note

\*Calculated as net investment income over the average investment holding for the year.

#### 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 2022, the Directors consider the following principal risks and uncertainties to potentially impact the Company:

- Liquidity risk

Liquidity risk is defined as the risk that the Company does not hold sufficient financial resources to settle its financial obligations as and when they fall due (both under normal and reasonably foreseeable stress scenarios). 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 2022, 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.

## Strategic Report for the Year Ended 31 December 2022

- Credit risk

Credit risk is defined as the risk of loss to the Company due to a counterparty either defaulting or failing to meet their obligations to the Company. The Company mitigates credit risk primarily by maintaining a policy of investing in highly rated securities. As at 31 December 2022, 97.7% of the Company's financial investments were rated AA or higher. The remaining 2.3% was a demand deposit held in a Swiss bank. The Company had no other receivables due from counterparties on the balance sheet as at the year-end.

- Market risk

Market risk is defined as the risk of loss through adverse changes in market prices of the Company's assets and liabilities. This includes fluctuations in interest rates and exchange rates. The Company is expected to transact its insurance business primarily in GBP (in addition to its expenses) and therefore, as at 31 December 2022, 100% of its financial investments were held in GBP. Therefore, the Company's exposure to exchange rate risk is low.

In terms of interest rate risk, the Company is exposed to fluctuations in interest rates as these impact the market values of the financial investments it holds (being government and corporate bonds). The Company mitigates this risk through close asset-liability matching.

- Operational risk

Operational risk is defined as the failure or loss of internal processes, systems and people as well as from external factors such as legal and regulatory requirements. Operational risk is mitigated through regular oversight and monitoring, periodic reviews by the second and third lines of defence and through the use of extensive procedure manuals and associated controls framework.

- Insurance risk

Whilst the Company did not undertake any insurance activities in 2022, it will commence underwriting from 01 January 2023. The Company will therefore be exposed to insurance risk which will have the potential to impact its ability to continue as a going concern. In concluding that the Company will continue as a going concern for the 12 months following the approval of these financial statements, the Directors have assessed insurance risk and have concluded that there are appropriate risk mitigations in place and in addition that the Company holds an appropriate level of capital.

### **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 members as a whole. This assessment by the Directors is in respect of the activities undertaken by the Company in 2022.

#### **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 managing general agency 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 shareholders, customers and suppliers.

In 2022, the Company issued shares to GLISE in return for £225m of capital. This is in line with the Company's intended plan to commence underwriting from 01 January 2023 and the Directors have considered the long term consequences of accepting this capital.

#### **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. Please refer to the MRUKS 2022 financial statements for further information.

**Strategic Report for the Year Ended 31 December 2022**

**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 2022 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 Directors actively engage with these suppliers on an ongoing basis to ensure there are no significant interruptions that impact the Company’s business.

With regards to the Company’s customers, the Company did not underwrite in 2022 and therefore did not have any customer relationships. However, the Company has actively engaged with its network of MGA’s during 2022 to ensure that it can start underwriting from 01 January 2023.

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

The Company does not have a major direct impact on the environment as it did not underwrite in 2022. However, ESG is an important topic at the Munich Re group level and as such the Company is adopting policies to support the Munich Re ESG ambitions, such as increasingly investing in more ESG focused investments. For further information, please refer to the 2021 Munich Re Sustainability Report.

**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 2022, the Directors have ensured compliance with applicable laws and both PRA/FCA regulations where relevant.

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


The Company has a single shareholder being GLISE. 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 its Section 172 statement and the financial statements. For further information, please refer to the 2021 Munich Re Sustainability Report.

Approved by the Board on 21 March 2023 and signed on its behalf by:

  
.....  
Claire Weston  
Director

  
.....  
Jessie Shi  
Director

## Great Lakes Insurance UK Limited

### Directors' Report for the Year Ended 31 December 2022

The Directors present their report and financial statements for the year-ended 31 December 2022.

#### 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 £2,120k. The Directors do not recommend the payment of a dividend for the year-ended 31 December 2022.

#### Directors of the Company

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

Claire Weston

Jessie Shi

Tony Ayles (appointed 01 January 2022)

Timothy Carroll (appointed 01 July 2022)

Nicolas Brown (appointed 01 September 2022)

Christoph Carus (appointed 01 September 2022)

Katherine Coates (appointed 01 September 2022)

Lesley Watkins (appointed 01 September 2022)

#### Post balance sheet events

As noted in the Strategic report, the Company commenced underwriting from 01 January 2023.

#### 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. (GLISE), a company incorporated in Germany. GLISE 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.

#### 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 page 3. Based on this, and having satisfied themselves on the financial security of the Company, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, which is 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.

#### 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.

#### 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. It is anticipated that the Shareholder will promptly resolve to give effect to such recommendation.


**Great Lakes Insurance UK Limited**


**Directors' Report for the Year Ended 31 December 2022**

**Future developments**

As outlined in the Directors' Report, the Company has commenced underwriting from 01 January 2023 onwards. The Company expects to continue to underwrite, in accordance with its business plan, for 2023 and future financial years.

Approved by the Board on 21 March 2023 and signed on its behalf by:

  
.....  
Claire Weston  
Director

  
.....  
Jessie Shi  
Director



## Great Lakes Insurance UK Limited

### 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" (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;
- state whether applicable UK Accounting Standards 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.

## Great Lakes Insurance UK Limited

### 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 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related Notes 1 to 11 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" (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 2022 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:

- We confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers 12 months from when the financial statements are authorised for issue;
- We challenged the key assumptions used by management in determining appropriateness of the going concern assessment; and
- We assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance 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

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Key audit matters	<ul style="list-style-type: none"><li>Valuation of other financial investments.</li></ul>
Materiality	<ul style="list-style-type: none"><li>Overall materiality of £4.4 m which represents 2% of net assets at 31 December 2022.</li></ul>

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### 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.

#### Climate change

The Company has considered the impact of its operations on the environment. This is explained on page 5 in the Strategic Report, which 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”.

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 in the financial statements.

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
<p><b>Valuation of other financial investments (£219m, PY comparative £Nil)</b></p> <p>Accounting policies (Note 1.5); and Note 5 of the Financial Statements (page 25)</p> <p>The other financial investments are valued as set out in Note 5.</p> <p>The Company records these investments as described in Note 1.5 of the financial statements.</p>	<p>To obtain sufficient audit evidence to conclude on the appropriate valuation of other financial investments, we:</p> <ul style="list-style-type: none"> <li>• performed a walkthrough to understand and assess the design effectiveness of the key controls in the accounting process for the valuation of investments;</li> <li>• validated the asset values using an independent pricing source;</li> <li>• compared the amount of recorded investments to a confirmation received from the custodian;</li> <li>• Assessed whether the impairment testing and related disclosures are in compliance with the requirements of FRS 102: The Financial Reporting Standard Applicable in the UK and Republic of Ireland.</li> </ul>	<p>Based on the results of our testing, we are satisfied that the other financial investments balance has been appropriately recorded.</p>

### 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.*

## Great Lakes Insurance UK Limited

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

We determined materiality for the company to be £4.4 million, which is 2% of net assets. We believe that net assets provide us with the measure that the stakeholders of the Company are primarily interested in and hence is the most appropriate basis to determine materiality for the Company.

#### **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% of our planning materiality, namely £4.4m. We have set performance materiality at this percentage because this is the first year we have audited the Company.

#### **Reporting threshold**

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

We have reported to the audit committee all uncorrected audit differences in excess of £0.22m, 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.

#### **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;

## Great Lakes Insurance UK Limited

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

#### 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 8, 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.

## Great Lakes Insurance UK Limited

### 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 the direct laws and regulations related to elements of company law and tax legislation, the requirements of the Prudential Regulation Authority and the financial reporting framework.
- We understood how Great Lakes Insurance UK Limited is complying with those frameworks by making enquiries 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 the Board 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 established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Where the risk was considered to be higher, we performed audit procedures to address that risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
  - Considering the effectiveness of management's controls designed to address the risk of fraud;
  - Journal entry testing; and
  - Evaluating the business rationale for significant or unusual transactions.

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 Board 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 1 year, covering the year ending 31 December 2022.

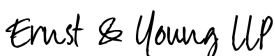
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

## Great Lakes Insurance UK Limited

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

#### 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:  
  
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Angus Millar (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
24 March 2023



## Great Lakes Insurance UK Limited

### Income Statement for the Year Ended 31 December 2022

	Note	2022 £'000	2021 £'000
Net investment income	2	737	-
Other income		8	-
Net operating expenses	3	(2,865)	-
<b>Loss before tax</b>		<b>(2,120)</b>	<b>-</b>
Taxation	4	530	-
<b>Loss after tax</b>		<b>(1,590)</b>	<b>-</b>

The notes on pages 20 to 26 form part of these financial statements

## Great Lakes Insurance UK Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £'000	2021 £'000
Loss for the year		<u>(1,590)</u>	-
Change in fair value on financial assets - gross		(713)	-
Change in fair value on financial assets - tax	4	<u>183</u>	-
Other comprehensive loss for the year		<u>(530)</u>	-
<b>Total comprehensive loss for the year</b>		<b><u>(2,120)</u></b>	-

The notes on pages 20 to 26 form part of these financial statements

Great Lakes Insurance UK Limited

Statement of Financial Position as at 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	5	<u>218,506</u>	-
<b>Debtors</b>			
Other debtors	6	<u>713</u>	-
<b>Other assets</b>			
Cash at bank and in hand		3,605	-
Other assets		<u>56</u>	-
		<u>3,661</u>	-
<b>Total Assets</b>		<u><b>222,880</b></u>	
<b>Capital and reserves</b>			
Called up share capital	7	225,000	-
Other reserves	8	(530)	-
Profit and loss account		<u>(1,590)</u>	-
<b>Total Shareholders' funds</b>		<u><b>222,880</b></u>	-

Approved and authorised by the Board on 21 March 2023 and signed on its behalf by:

*CL Weston*  
 .....  
 Claire Weston  
 Director

*Jessie Shi*  
 .....  
 Jessie Shi  
 Director

The notes on pages 20 to 26 form part of these financial statements

**Great Lakes Insurance UK Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2022**

	<b>Share capital £'000</b>	<b>Fair value reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>At 1 January 2022</b>	-	-	-	-
Shares issued for cash	225,000	-	-	225,000
Loss for the year	-	-	(1,590)	(1,590)
Other comprehensive income	-	(530)	-	(530)
<b>At 31 December 2022</b>	<b>225,000</b>	<b>(530)</b>	<b>(1,590)</b>	<b>222,880</b>
	<b>Share capital £'000</b>	<b>Fair value reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>At 3 June 2021</b>	-	-	-	-
Shares issued for cash	-	-	-	-
Loss for the year	-	-	-	-
Other comprehensive income	-	-	-	-
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The notes on pages 20 to 26 form part of these financial statements

## Great Lakes Insurance UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 1. Accounting policies

##### 1.1 General information

Great Lakes Insurance UK Limited is a private limited liability company incorporated in the UK and registered in England & Wales. 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 2022. These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 2022 were approved for issue by the board of Directors on 21 March 2023.

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.

##### *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 Königin. 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 Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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 £222,880k. These include investments totalling £103,530k with maturity dates after 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 have concluded that the Company has adequate financial resources to continue as a going concern for the foreseeable future, which is twelve months from the signing of these financial statements.

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 1.4 Key accounting estimates and judgements

In preparing the financial statements, the Directors have made accounting estimates with respect to the 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) Impairment of assets*

The Company makes an estimate of 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 in respect of the credit risk associated with its financial assets as well as general economic inputs such as interest rates and economic growth.

#### *b) Deferred taxation*

The Company makes estimates to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

### 1.5 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.

#### *Initial recognition*

The classification of financial instruments at initial recognition depends on their contractual terms and the associated business model for management 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 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.

## Notes to the Financial Statements for the Year Ended 31 December 2022

### *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 of 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.

## **1.6 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 purchase price.

## Great Lakes Insurance UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 1.7 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.

#### 1.8 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.

#### 1.9 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. Net investment income

	2022 £'000	2021 £'000
<b>Investment income</b>		
Income from investments	804	-
<b>Total investment income</b>	<b>804</b>	-
<b>Investment expenses and charges</b>		
Investment management expenses	(1)	-
Unrealised losses on fixed interest investments <sup>1</sup>	(18)	-
Losses on the realisation of investments	(48)	-
	<b>737</b>	-

Note

1. Unrealised losses relate to expected credit losses.

#### 3. Net operating expenses

	2022 £'000	2021 £'000
Staff costs	1,883	-
Other administrative expenses	982	-
	<b>2,865</b>	-

#### 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.



## Great Lakes Insurance UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

**(a) Staff costs**

	2022	2021
	£'000	£'000
Wages and salaries	1,474	-
Social security costs	221	-
Pension	188	-
<b>Total</b>	<b>1,883</b>	<b>-</b>

**(b) Directors' remuneration**

	2022	2021
	£'000	£'000
Directors' emoluments	186	-
Company contributions to pension schemes	5	-
<b>Total</b>	<b>191</b>	<b>-</b>

The Directors remuneration consists of emoluments paid to the Directors for services to the Company. The emoluments of the highest paid director were £42k (2021: nil) in addition to pension scheme contributions of £2k (2021: nil). Retirement benefits accrue to nil (2021: nil) directors under a defined benefit pension scheme and 3 directors (2021: nil) under a defined contribution scheme.

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

**(c) Auditor's remuneration**

	2022	2021
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	38	-
	<b>38</b>	<b>-</b>

#### 4. Taxation

**(a) Analysis of charge in the period**

Tax charged/(credited) in the income statement:

	2022	2021
	£'000	£'000
<b>Deferred taxation</b>		
Arising from losses carried forward	530	-
<b>Total deferred taxation</b>	<b>530</b>	<b>-</b>
<b>Total tax credit</b>	<b>530</b>	<b>-</b>

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

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2021: 19%).

The difference is reconciled below:

	2022	2021
	£'000	£'000
<b>Loss before tax</b>	2,120	-
Tax on loss calculated at standard rate	403	-
Rate differences	127	-
<b>Total credit</b>	<b>530</b>	<b>-</b>

## Great Lakes Insurance UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

Budget 2021 announced an increase to the main rate of UK corporation tax from 19% to 25%. This was substantially enacted on 24 May 2021 and will be effective from 1 April 2023.

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred tax related to items recognised as items of other comprehensive income</b>	<b>183</b>	<b>-</b>

**(d) Deferred tax assets**

<b>Assets</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
On losses carried forward	530	-
On unrealised gains and losses on fixed income investments	183	-
<b>Total credit</b>	<b>713</b>	<b>-</b>

**5. Other financial investments**

**2022**

	<b>Fair value hierarchy</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total<sup>1</sup></b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Debt securities and other fixed income securities	5,001	213,505	-	218,506	
<b>Total</b>	<b>5,001</b>	<b>213,505</b>	<b>-</b>	<b>218,506</b>	

**2021**

	<b>Fair value hierarchy</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total<sup>1</sup></b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Debt securities and other fixed income securities	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Note

1. These include investments totalling £103,530k (2021: £nil) 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)

## Great Lakes Insurance UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 6. Other debtors

	2022	2021
	£'000	£'000
Deferred tax asset <sup>1</sup>	713	-
<b>Total</b>	<b>713</b>	<b>-</b>

Note

1. These are non-current deferred tax assets.

#### 7. Authorised share capital

	2022		2021
	No	£'000	No
	£'000		£'000
Authorised, allotted and issued	225,000,001	-	1
Fully paid ordinary shares of £1 each	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.

#### 8. 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).

<b>Investments revaluation reserve</b>	<b>£'000</b>
<b>At 1 January 2022</b>	-
Revaluation during the year - gross	713
Revaluation during the year - tax	(183)
<b>At 31 December 2022</b>	<b>530</b>
<b>Investments revaluation reserve</b>	<b>£'000</b>
<b>At 3 June 2021</b>	-
Revaluation during the year - gross	-
Revaluation during the year - tax	-
<b>At 31 December 2021</b>	<b>-</b>

#### 9. Related party transactions

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.

There are no other related party transactions which require disclosure.

#### 10. Ultimate parent undertaking

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

#### 11. Post balance sheet events

The Company commenced underwriting from 01 January 2023.

## Appendix A: Tax Strategy (Unaudited)

### 1 Introduction

Our UK tax strategy 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](http://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 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.