

**Personal Assurance (Guernsey) Limited**

Annual report and financial statements

For the year ended 31 December 2022

## Personal Assurance (Guernsey) Limited

### Contents

Corporate information	1
Report of the Directors	2
Independent auditor's report	4
Statement of Comprehensive Income	7
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes	11

## Personal Assurance (Guernsey) Limited

### Corporate information

**Directors:**

R Bates  
R Gale  
S Mace

**Company Secretary:**

Alternative Risk Management Limited

**Registered Office:**

Level 5  
Mill Court  
La Charroterie  
St Peter Port  
Guernsey  
GY1 1EJ

**Independent Auditor:**

Ernst & Young LLP  
Royal Chambers  
St. Julian's Avenue  
St Peter Port, Guernsey, Channel Islands  
GY1 4AF

**Insurance Manager:**

Alternative Risk Management Limited  
Level 5  
Mill Court  
La Charroterie  
St Peter Port  
Guernsey  
GY1 1EJ

## **Report of the Directors**

The Directors present the audited financial statements for the year ended 31 December 2022.

### **Principal Activity**

Personal Assurance (Guernsey) Limited ("the Company") is a limited liability company incorporated in Guernsey on 18 December 2014. The Company is registered under The Insurance Business (Bailiwick of Guernsey) Law 2002 as an insurance company. The principal activity of the Company is to insure death in service and accidental death for the planholders of the Personal Group Death Benefit Plan and to provide employee default insurance.

### **Directors**

All Directors, as noted on page 1, have served throughout the year and to the date of this report.

### **Dividend**

The Company paid dividends of £500,000 during the year (2021: £nil).

### **Directors' Responsibilities Statement**

The Directors are responsible for preparing financial statements for each financial period in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework and applicable law. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Profit and Loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Insurance Business (Bailiwick of Guernsey) Law, 2002 ("The Insurance Law") and the Companies (Guernsey) Law, 2008 ("The Companies Law"). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Report of the Directors (continued)

### Disclosure of information to auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Going Concern

The financial statements are prepared on a going concern basis. In considering going concern, the directors have reviewed the Company's available financial resources, historical performance and the impact of Covid-19 to assess the Company's ability to continue as a going concern up until 30 April 2024. The Board will continue to monitor the ongoing situation with Covid-19. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 April 2024. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### The Results

The results for the period are shown in the statement of comprehensive income on pages 7 and 8.

### Independent Auditor

Ernst & Young LLP have expressed their willingness to continue as auditors.

### Company Secretary

Alternative Risk Management Limited served as the company secretary from the date of incorporation to the date of this report.

By order of the board

  
\_\_\_\_\_  
Director

Date: 24th April 2023

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSONAL ASSURANCE (GUERNSEY) LIMITED**

## **Opinion**

We have audited the financial statements of Personal Assurance (Guernsey) Limited (the "Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income – technical account, Statement of Comprehensive Income – non-technical account, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS101 Reduced Disclosure Framework.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards, including FRS101 Reduced Disclosure Framework; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

## **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, including the UK FRC's Ethical Standard, 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.

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 up until 30 April 2024.

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.

## **Other information**

The other information comprises the information included in the Directors' 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 material misstatement in the financial

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSONAL ASSURANCE (GUERNSEY) LIMITED (continued)**

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.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002 require us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- any transaction, other than a transaction in the normal course of business, has resulted in the Statement of Financial Position showing a situation materially different from that which would otherwise have obtained, and which is not adequately disclosed in the financial statements; or
- the information given in the annual return prepared pursuant to section 33 of The Insurance Business (Bailiwick of Guernsey) Law, 2002 is inconsistent with the financial statements for the year to which that annual return relates.

### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities for the financial statements set out on page 2, 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 entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework: United Kingdom Accounting Standards, including FRS101 Reduced Disclosure Framework, The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002;
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for compliance matters and corroborated this by reviewing minutes of meetings of the Board of Directors and correspondence between the Company and the Guernsey Financial Services Commission. We gained an understanding of the Board's approach to

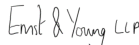
## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSONAL ASSURANCE (GUERNSEY) LIMITED (continued)

- governance, demonstrated by its review of the financial reporting process and regular board meetings held to monitor the Company's performance;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the risk of management override and by identifying the misstatement of the insurance reserves and incorrect recognition of premium income as fraud risks. We considered the controls the Company has established to address risks identified by the directors or that otherwise seek to prevent, detect or deter fraud and how management and those charged with governance monitor those controls. We also considered the existence of any stakeholder influences which may cause management to seek to manipulate the financial performance and did not note any;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the review of minutes of meetings of the Board of Directors, compliance reports, complaints reports and correspondence with the Guernsey Financial Services Commission; making inquiries of those charged with governance and of management; and performance of journal entry testing based on our risk assessment and understanding of the business, with a focus on non-standard journals and those relating to areas with an identified associated fraud risk, as described above;
- The Company operates as a regulated insurer. As such the Audit Partner considered the experience and expertise of engagement team to ensure that the team had the appropriate competence and capabilities, with the audit team members having a focus on the audit of insurers.

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.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law 2008 and Schedule 3 (2) of The Insurance Business (Bailiwick of Guernsey) Law, 2002. 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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**Ernst & Young LLP**  
**St Peter Port, Guernsey**

**25 April 2023**



**Personal Assurance (Guernsey) Limited**  
**Statement of Comprehensive Income – Technical Account**  
**For the year ended 31 December 2022**

	Note	31-Dec-22 £	31-Dec-21 £
<b>Technical Account</b>			
Gross written premiums		6,806,712	6,196,055
Change in provision for lapsed policies		(10,000)	20,000
Change in provision for unearned premiums		(69,007)	(264,898)
<b>Total earned premium</b>		<b>6,727,705</b>	<b>5,951,157</b>
Outward reinsurance premiums		(42,500)	(42,500)
Change in provision for unexpensed reinsurance premium		-	78
<b>Total reinsurance premium expensed</b>		<b>(42,500)</b>	<b>(42,422)</b>
Commission		(3,816,390)	(3,421,296)
Change in unexpensed commission		48,007	(5,710)
<b>Total commission</b>		<b>(3,768,383)</b>	<b>(3,427,006)</b>
<b>Claims incurred, net of reinsurance</b>			
Claims paid		(1,548,531)	(1,719,308)
Change in provision for outstanding claims		(82,452)	(466)
Change in provision for incurred but not reported claims	2	179,417	(88,065)
<b>Total claims incurred</b>		<b>(1,451,566)</b>	<b>(1,807,839)</b>
<b>Balance on Technical Account</b>		<b>1,465,256</b>	<b>673,890</b>

The notes on pages 11 to 20 form an integral part of these financial statements.

**Personal Assurance (Guernsey) Limited**  
**Statement of Comprehensive Income – Non Technical Account**  
**For the year ended 31 December 2022**

	Note	31-Dec-22 £	31-Dec-21 £
<b>Non – Technical Account</b>			
Balance on the technical account		1,465,256	673,890
<b>Other income</b>			
Bank Interest		45,029	2,163
		<b>1,510,285</b>	<b>676,053</b>
<b>Expenses</b>			
Management fees	11	(119,998)	(103,095)
Director's fees	12	(8,000)	(8,000)
Registration fees		(9,720)	(9,070)
Audit fee		(24,550)	(17,000)
Other expenses		(9,175)	(9,735)
		<b>(171,443)</b>	<b>(146,900)</b>
<b>Profit for the year and total comprehensive income</b>			
		<b>1,338,842</b>	<b>529,153</b>

The above results related to continued operations.

There are no components of other comprehensive income.

The notes on pages 11 to 20 form an integral part of these financial statements.

**Personal Assurance (Guernsey) Limited**  
**Statement of Financial Position**  
**As at 31 December 2022**

	Note	31-Dec-22 £	31-Dec-21 £
<b>Assets</b>			
Commission unexpensed		60,490	12,483
Unexpensed reinsurance premium		3,542	3,542
Premium receivable		680,138	540,537
Debtors & prepayments	4	35,086	12,802
Cash and cash equivalents		606,993	3,371,620
Current Investments		3,470,000	
<b>Total Assets</b>		<b>4,856,249</b>	<b>3,940,984</b>
<b>Liabilities and Equity</b>			
<b>Creditors: amounts falling due within one year</b>			
Commissions payable		379,733	268,992
Other creditors	5	41,996	58,357
Provision for unearned premium		719,091	650,084
Provision for lapsed policies		30,000	20,000
Outstanding claims provision		547,053	464,601
Incurred but not reported provision	2	289,211	468,628
<b>Total Liabilities</b>		<b>2,007,084</b>	<b>1,930,662</b>
<b>Shareholder's Equity</b>			
Share capital	6	1,000,000	1,000,000
Retained earnings		1,849,165	1,010,322
<b>Equity</b>		<b>2,849,165</b>	<b>2,010,322</b>
<b>Total Liabilities and Equity</b>		<b>4,856,249</b>	<b>3,940,984</b>

The notes on pages 11 to 20 form an integral part of these financial statements.

These financial statements were approved by the board of Directors on 24 April 2023 and were signed on its behalf by:



Director

Company registered number: 59550

**Personal Assurance (Guernsey) Limited**  
**Statement of Changes in Equity**  
**As at 31 December 2022**

	<b>Share Capital £</b>	<b>Retained Profits £</b>	<b>Total £</b>
<b>At 1 January 2021</b>	<b>1,000,000</b>	<b>481,169</b>	<b>1,481,169</b>
Profit for the year and total comprehensive income	-	529,153	529,153
<b>At 31 December 2021</b>	<b>1,000,000</b>	<b>1,010,322</b>	<b>2,010,322</b>
Profit for the year and total comprehensive income	-	1,338,843	1,338,843
Dividend paid	-	(500,000)	(500,000)
<b>At 31 December 2022</b>	<b>1,000,000</b>	<b>1,849,165</b>	<b>2,849,165</b>

The notes on pages 11 to 20 form an integral part of these financial statements.

**Personal Assurance (Guernsey) Limited**

**Notes to the financial statements for the year ended 31 December 2022**

**1 Accounting policies**

**1.1 Basis of accounting**

The financial statements have been prepared under the historical cost convention. These financial statements, which give a true and fair view, have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and are in compliance with the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law 2002.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Personal Group Holdings plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Personal Group Holdings plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from [www.Personal-Group.com](http://www.Personal-Group.com).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- The requirement of IAS 24 , Related Party Disclosures; and
- The effects of new but not yet effective IFRSs.

**1.2 Principal activities**

The Company was incorporated on 18 December 2014 as a wholly owned subsidiary of Personal Group Holdings Plc. The ultimate beneficial owner is Personal Group Holdings Plc. The principal activity of the Company is to insure death in service and accidental death for the planholders of the Personal Group Death Benefit Plan and to provide employee default insurance.

The Company is registered at Level 5, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ and has registered under The Insurance Business (Bailiwick of Guernsey) Law, 2002 as an insurance company.

**1.3 Functional and presentational currency**

Items included in the financial statements are measured using the currency of the economic environment in which the entity operates, Pounds Sterling. The financial statements are presented in Pounds Sterling, which is the Company's functional and presentation currency.

**1.4 Going concern**

The financial statements are prepared on a going concern basis. In considering going concern, the directors have reviewed the Company's available financial resources, historical performance and the impact of Covid-19 to assess the Company's ability to continue as a going concern up until 30 April 2024. The Board will continue to monitor the ongoing situation with Covid-19. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 April 2024. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Personal Assurance (Guernsey) Limited**

**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**1 Accounting policies (continued)**

**1.5 Written premiums**

Written premiums are premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. These are premiums on contracts entered into during the reporting period. Premium income is recognised in the technical account as revenue proportionally over the period of coverage.

**1.6 Reinsurance**

Written reinsurance premiums are premiums that the reinsurers are contractually entitled to receive from the Company in relation to contracts of reinsurance. These are premiums on contracts entered into during the reporting period. Reinsurance premiums are payments recognised in the technical account as an expense proportionally over the period of coverage.

**1.7 Provision for unearned premium and unexpensed reinsurance premium**

Unearned premiums and unexpensed reinsurance premiums are those proportions of written premiums relating to periods of risk after the reporting date, which are deferred to subsequent reporting periods. Unearned premium and unexpensed reinsurance premium are recognised in the statement of financial position proportionally over the period of coverage with movements in the provision recognised in the technical account.

**1.8 Commission**

The Company has entered into agreements for the provision of administration services and intermediary services for which commissions of 62% of gross premium are paid. Commission is recognised in the technical account as a revenue proportionally over the period of coverage of the premiums.

**1.9 Provision for unexpensed commission**

Commission is expensed in line with earned premiums. Unexpensed commissions are equal to 62% of unearned premiums.

**1.10 Claims paid**

Claims paid are calculated in accordance with the terms of each insurance agreement and are recognised in the technical account as an expense when payment is issued.

**1.11 Reinsurance recoveries**

Reinsurance recoveries are recognised when due and are calculated in accordance with the terms of each reinsurance agreement.

**1.12 Outstanding claims provision**

Provision is made at the period-end for the estimated cost of reported claims incurred but not settled at the statement of financial position date. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, it is possible that the final outcome will prove to be different from the original liability established. The outstanding claims provision is recognised in the statement of financial position with movements in the provision recognised in the technical account.

**Personal Assurance (Guernsey) Limited**

**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**1 Accounting policies (continued)**

**1.13 Incurred but not reported provision**

Estimates are made for claims incurred but not reported (IBNR) at the statement of financial position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims.

The IBNR provision for death benefit cover is calculated as 16 claims with an average claim of £8,400 based on available claims data.

The IBNR provision for employee default cover is 35% of earned premium, less claims paid on a monthly basis. For months where claims paid exceed the 35% IBNR provision, 20% of the estimate IBNR provision for that month is retained as an IBNR provision for any future claims.

**1.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank.

**1.15 Financial assets and liabilities**

*Recognition*

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The financial assets and liabilities of the Company consist of premium receivable and other debtors and other financial liabilities.

*Initial and subsequent measurement*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), and subsequently carried at amortised cost, less any impairment losses in the case of debtors.

*Derecognition of financial assets and liabilities*

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

*Impairment*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

**1.16 Expenses**

Expenses are recognised in the statement of comprehensive income – non technical account on an accruals basis and are measured at their transaction price.

**Personal Assurance (Guernsey) Limited**  
**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**1 Accounting policies (continued)**

**1.17 Dividends**

Dividends are recognised as a liability in the Company's financial statements in the period in which the dividend is approved and ratified by the Company's shareholders.

**2 Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgments about accounting policy choices and estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. There were no critical judgements made by management in the process of selecting and applying the accounting policies of the Company.

*Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the liabilities within the next financial year, are discussed below.

*Valuation of liabilities of insurance contracts*

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the statement of financial position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Company uses estimation techniques based upon statistical analyses of historical experience which assume past trends can be used to project future developments. The carrying amount for IBNR in the statement of financial position is £289,211 (2021: £468,628). There is minimal uncertainty in the estimate of claims payable since the value of claims is predetermined by the benefit level specified in the policy.

**3 Taxation**

The Company is liable to Guernsey income tax at the standard rate of 0%.

**4 Debtors and prepayments**

	31-Dec-22	31-Dec-21
	£	£
Insurance premium tax	8,120	12,802
Bank interest receivable	26,966	-
	<b>35,086</b>	<b>12,802</b>



**Personal Assurance (Guernsey) Limited**

**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**5 Other creditors**

	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>£</b>	<b>£</b>
Audit fee	22,550	17,000
Management Fee	-	16,905
Insurance premium tax	19,446	24,452
	<b>41,996</b>	<b>58,357</b>

**6 Share Capital**

	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>£</b>	<b>£</b>
<b>Allotted and fully paid</b>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<b>1,000,000</b>	<b>1,000,000</b>

The Company has authorised and issued share capital of £1,000,000. The rights attaching to the ordinary shares are as follows:

Dividends – shareholders of ordinary shares are entitled to dividends arising from profits or gains and no dividend shall exceed the amount recommended by the directors.

Voting rights – shares carry one vote per share held at general meetings of the company.

**7 Capital management**

The objective of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with the regulatory capital requirements of the Guernsey Financial Services Commission, while maximising the return to stakeholders. That is achieved through regular monitoring of liquidity to ensure that the Company has sufficient liquid assets to meet its requirements and to withstand the risks to which the business is subject. The Company was in compliance with capital requirements imposed by the Guernsey Financial Services Commission throughout the financial period.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The table below sets out the statutory minimum and prescribed capital requirements and the Company's available capital.

	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>£</b>	<b>£</b>
Minimum capital requirement	353,739	327,871
Regulatory available capital resources	2,849,165	2,010,322
Solvency cover	805%	613%
	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>£</b>	<b>£</b>
Prescribed capital requirement	913,829	905,760
Regulatory available capital resources	2,849,165	2,010,322
Solvency cover	312%	222%

**Personal Assurance (Guernsey) Limited**  
**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**7 Capital management (continued)**

There were no changes made to the capital base nor to the objectives, policies and processes for managing capital.

The table below sets out the capital that is managed by the Company on a regulatory basis for its prescribed capital requirement:

	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>£</b>	<b>£</b>
Shareholder's equity	2,849,165	2,010,322
Capital resources on a regulatory basis	<b>2,849,165</b>	<b>2,010,322</b>

**8 Financial risk management**

The Company's activities expose it to a variety of financial instrument risks. The risk management policies employed by the Company to manage these risks are discussed below. The primary objectives of the financial instrument risk management function are to establish risk limits, and then to ensure that exposure to risks stays within these limits.

***Credit risk***

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unwilling or unable to pay in full amounts when due. The Company's maximum exposure to credit risk is represented by the carrying value of its financial assets, principally being the Company's cash and cash equivalents and premium receivable.

The Company's cash and cash equivalents are invested with Lloyds Bank International Limited in Guernsey, whose parent company, Lloyds Bank Corporate Markets plc, is rated A1 by Moody's and Royal Bank of Scotland International Limited, which is rated A3 by Moody's.

Premium income is generated from the sale of insurance policies to individual customers. However, death benefit premium is collected and paid over to Personal Assurance Plc ("PAP") and employee default premium is collected and paid over to Lets Connect IT Solutions Limited ("Let's Connect") by the individual's employer via payroll deduction. This naturally exposes the Company to an element of credit risk. However, PAP and Lets Connect receives the vast majority of the payroll deductions within one month on a regular basis. The premiums receivable are with PAP and Lets Connect, group companies, which are not rated. The group would not allow payroll deductions by an employer that was considered to be a significant credit risk.

The following table shows the credit risk exposure for assets and credit ratings. There are no financial assets past due.

	<b>A</b>		<b>Not Rated</b>		<b>Carrying Amount</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Debtors & prepayments	26,966	-	8,120	12,802	43,206	12,802
Premium receivable	-	-	680,138	540,537	680,138	540,537
Current investments	3,470,000	-	-	-	3,470,000	-
Cash and cash equivalents	606,993	3,371,620	-	-	606,993	3,371,620
	<b>4,103,959</b>	<b>3,371,620</b>	<b>688,258</b>	<b>553,339</b>	<b>4,792,216</b>	<b>3,924,959</b>

## 8 Financial risk management (continued)

### *Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The Company has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements. The Company manages liquidity risk by maintaining banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Company is exposed to liquidity risk arising from its insurance contracts. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims and maturing liabilities. All current liabilities will be settled within the next financial period.

There were no changes in the Company's liquidity risk exposure in the financial period nor to the objectives, policies and processes for managing liquidity risk.

The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

### *Interest rate risk*

Interest rate risk is the market risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates and would not have a significant effect on the results or financial position of the Company.

During the year to 31 December 2022, if bank interest rates had been 200 basis points higher/lower with all other variables held constant, profit before tax for the year would have increased/decreased by £81,540 (2021: £67,432), mainly as a result of interest received on cash and cash equivalents.

The following are underlying assumptions made in the model used to calculate the effect on profits and other components of equity:

- The bank balances at 31 December formed the basis of the calculation.
- A 200 basis point charge on these principal balances reflects the absolute increase or decrease in the loss that could arise with such an interest rate movement.

### *Insurance risk*

The Company currently underwrites two categories of business which are described below:

#### *Death Benefit*

The Company commenced the underwriting of the Personal Group Death Benefit Plan on 1 February 2015. The Company had 65,198 policies in force at the year end. The Death Benefit Plan provides a maximum any one person sum insured of £20,000.

Each insurance policy automatically renews each period (weekly/fortnightly/monthly) and therefore is considered a short-term insurance risk. Due to the nature of the business underwritten there is uncertainty around the frequency of claims. The Board assessed the 15 years loss ratio and felt it appropriate to manage the risk via a stop loss policy with Lloyd's Syndicate XLC 3002.

**Personal Assurance (Guernsey) Limited**  
**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**8 Financial risk management (continued)**

***Insurance risk (continued)***

The stop loss provides a limit of liability of £2,000,000 in the Annual Aggregate in excess of £2,516,307 in the aggregate ultimate net loss or 0.5882% of the mean total sums insured in force, whichever is the greater. Also, the Company has excess of loss reinsurance with Convex Insurance UK Limited for the Accidental death risk it underwrites. The Company retains the first £200,000 of each loss risk and has excess of loss reinsurance cover for layer one of £800,000 in excess of £200,000 and layer two of £1,750,000 in excess of £1,000,000 per loss occurrence.

***Employee Default***

The Company commenced the underwriting of the Employee Default Plan for Royal Mail Group on 1 March 2020. The policies are for a maximum period of 2 years.

The Company also commenced the underwriting of the Employee Default Plan for Culina Group on 1 February 2022. The policy is for a period of 1 year.

The Company manages its risk via its underwriting strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

***Concentration***

The Company has a concentration of risk in that it only retains risk under two specific line of business, namely, Death Benefit and Employee Default. The Company has a concentration of business written in one geographical area, this being the United Kingdom.

***Assumptions and sensitivities***

The Company considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience can differ from the expected outcome. Estimates are made for claims incurred but not reported (IBNR) at the statement of financial position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. Claims included in IBNR are considered unlikely as most policies have a short time lag between the event and notification. However, it is inevitable that some claims will be notified in a subsequent reporting period. The uncertainty about the estimate of IBNR has increased as a result of the impact of Covid-19.

Results of sensitivity testing are set out below, showing the impact on profit before tax and shareholder's equity. For sensitivity the impact of a change in IBNR is shown, with other assumptions unchanged.

	Profit		Shareholder's equity	
	2022	2021	2022	2021
	£	£	£	£
15% increase in IBNR	(43,382)	(70,294)	(43,382)	(70,294)
15% decrease in IBNR	43,382	70,294	43,382	70,294

**Personal Assurance (Guernsey) Limited**

**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**8 Financial risk management (continued)**

***Assumptions and sensitivities (continued)***

**Claims Development**

	Underwriting Year								Total
	2015	2016	2017	2018	2019	2020	2021	2022	
	£	£	£	£	£	£	£	£	£
Estimate of ultimates:									
End of accident year	696,667	987,500	1,243,602	1,013,333	990,717	1,536,849	1,360,287	1,299,870	
One year later	(56,667)	(62,500)	(10,347)	(50,831)	140,953	199,244	171,380		
Two years later		60,833	(15,834)	52,500	(241)	7,620			
Three years later		(15,000)	(15,000)	(22,500)	7,500				
Four years later			5,000						
Five years later									
Six years later		7,489							
Estimate of ultimate claims	640,000	978,322	1,207,421	992,502	1,138,929	1,743,713	1,531,667	1,299,870	9,532,424
Cumulative payments	640,000	978,322	1,197,421	980,835	1,105,759	1,706,333	1,409,201	967,500	8,985,371
In balance sheet	0	0	10,000	11,667	33,170	37,380	122,466	332,370	547,053

**9 Classification of financial assets and liabilities**

The table below sets out the classification of the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instrument.

	Receivables		Other financial liabilities measured at amortised cost		Total	
	2022	2021	2022	2021	2022	2021
	£	£	£	£	£	£
Debtors & prepayments	35,086	12,802			35,086	12,802
Premium receivable	680,138	540,537			680,138	540,537
Current investments	3,470,000				3,470,000	
Cash and cash equivalent	606,993	3,371,620			606,993	3,371,620
Claims payable			547,053	464,601	547,053	464,601
Commission payable			379,733	268,992	379,733	268,992
Other creditors			41,996	58,357	41,996	58,357
IBNR provision			289,211	468,628	289,211	468,628
Provision for lapsed policies			30,000	20,000	30,000	20,000

**10 Controlling parties**

The Company's immediate parent is Personal Group Limited, a Company registered in England and Wales. The Company's ultimate parent is Personal Group Holdings plc, a Company registered in England and Wales, which produces consolidated financial statements.

**Personal Assurance (Guernsey) Limited**  
**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**11 Related party transactions**

Mr R Bates is a director of Alternative Risk Management Limited which received fees of £119,998 for the year ended 31 December 2022 (2021: £103,095). At 31 December 2022, Alternative Risk Management Limited is owed £nil (2021: £16,905).

Mr R Gale has received remuneration of £8,000 during the year (2021: £8,000).

Personal Assurance Services Limited, a related party company, received commissions of £2,123,636 during the year ended 31 December 2022 (2021: £2,174,455). At 31 December 2022, Personal Assurance Services Limited is owed £211,303 (2021: £149,681).

Personal Group Benefits Limited, a related party company, received commissions of £1,692,753 during the year ended 31 December 2022 (2021: £1,733,265). At 31 December 2022, Personal Group Benefits Limited is owed £168,430 (2021: £119,311).

**12 Directors' remuneration**

Directors' remuneration for the year was £8,000. Mr R Bates and Ms S Mace waived their remuneration.

**13 Subsequent events**

The Royal Mail Group ("RMG") has temporarily suspended requesting cover under the terms of the Employee Default Insurance scheme with effect from 1 March 2023. Discussions are ongoing with RMG on this matter. If RMG does not request any new covers for the year ending 31 December 2023, it will have the impact of an estimated reduction of £100,000 in underwriting profit for the year ended 31 December 2023.

There are no other subsequent events to report.