

The Effects of COVID-Driven Change on Financial Strategies of Leading UK Life Insurance Providers.



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BMMB7003- Dissertation Research Project 2022/23 for the Master of Business

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Declaration

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Abbreviations

- AIG = American International Group Inc
- Aviva = Aviva PLC
- Lloyds = Lloyds Banking Group
- ONS = Office of National Statistics
- PRA = Prudential Regulation Authority
- Zurich = Zurich Insurance Group

Acknowledgements

First and foremost, I am extremely grateful to my supervisor, Dr Udeme Jonah for his advice, continuous support and patience during this study. His experience and guidance has fuelled my enthusiasm throughout the time of my academic research.

I would like to thank all the staff at D.C. Financial Ltd, especially my wonderful boss, David Smith. It is their kind words of encouragement and support that have made the last 5 years of work and study a fulfilling experience. Finally, I would like to express my deepest gratitude to my loving parents, my brother, my partner, and my friends. Without their endless understanding, encouragement, and unconditional support, this study would not have been possible.

Abstract

Purpose: This study determines the effects of COVID-19 on financial strategies of UK Life Insurers to advise on future strategic opportunities.

Design/Methodology/Approach: A mixed methods design gathered data from financial statements of 4 leading UK Life Insurers, focusing on significant changes during 2019-2020. A convenience, probability sample of sector employees completed an online survey, distributed via snowball sampling to determine drivers of strategic change. Data was analysed using financial ratio and content analyses in a multi-level design.

Findings: Analysis identified fluctuation of financial performance indicators during 2019-2021, prompting sector-wide strategic repositioning and disposals. The study finds increasing demand for flexibility, digitalisation, and accessibility with significant post-COVID investment in these areas.

Practical implications: Financial and non-financial benefits of homeworking identified opportunities in flexibility and automation. Changing bargaining powers of stakeholders present opportunities for development of talent management strategies. Insurers may consider strategic repositioning to align projections, offerings, and shareholder return processes with business objectives and demand.

Originality/value: Despite existing global studies, focused research on UK markets, considering both financial and non-financial data remains uncharted. This study creates value for UK Life Insurers seeking to improve financial strategy and determine key opportunities for post-COVID success.

Keywords: Financial Strategy, COVID-19, UK Insurance

Chapter 1.0: Introduction

The COVID-19 pandemic has been a catalyst for socio-economic change since its spread in 2020. Areas concerning working habits in national lockdowns, digitalisation, demand for healthcare and flexibility within working environments have been affected. Firms are now seeking to find the “new normal” of effective resource management, financial strategy and stakeholder value maximisation. The UK Life Insurance sector is of particular significance due to its size, structure and rising demand. However, for Life Offices to develop their financial strategies effectively, it is vital to consider the key effects of the COVID pandemic on business processes, key stakeholders, and the resulting strategic financial changes.

This introductory chapter will provide background context for this study, and the rationale confirming the necessity for the primary research. The dissertation will extensively review existing frameworks, theories and research pertaining to the topic with a view to setting a basis for the research. Research philosophies, and appropriate methodologies will be discussed, offering a comprehensive understanding of the most effective mechanics of this research project. Once data has been collected, a detailed analysis will take place, the conclusions of which will allow the formation of appropriate recommendations and the discussion of any limitations throughout. Lastly, final conclusions will be documented with a view to meeting each of the objectives below.

1.1: Aims and Objectives

The aim of the research is to determine the effects of the COVID-19 pandemic on the financial strategy of UK Life Insurance firms to advise on strategic opportunities in the future.

To achieve this aim, the following objectives will be addressed:

1. Analyse the financial strategy and decision-making of the leading UK Insurance providers

during the COVID-19 era using relevant financial statements.

2. Analyse the perceived effects of the COVID-19 pandemic on employees working with this sector.
3. Discuss to what extent the identified trends/changes may influence financial strategy to determine key opportunities for post-COVID organisational growth.

1.2: Research Questions

The project intends to address the following research questions:

- 1) How did COVID-19 influence corporate spending, investing and key financial performance indicators in UK Life Insurance Providers?
- 2) How has COVID-19 affected employees working in Life Insurance?
- 3) What opportunities have developed from changes to process, digitalisation, innovation, and flexibility?

The primary data collection and analysis to achieve these objectives will consider qualitative data from survey responses and key strategic publications, and quantitative data from financial reports to determine fundamental opportunities for development.

1.3: Background Literature

Financial strategy is considered as “the science of the management of assets and liabilities to achieve an intended objective” (Tiffin, 2014, p. 7), where the objective of financial strategy is to raise capital at minimal costs, and increase shareholder wealth (Narayanan & Nanda, 2004).

Financial strategy can be divided into two parts: “the raising of funds needed by an organisation...” and “managing the employment of those funds within the organisation” (Bender & Ward, 2008).

Whilst definitions of the term vary, researchers seemingly all agree that financial strategy concerns

itself with the management of funds within an organisation, and the overarching aim is to increase its value.

The implementation of strategy, especially in times of uncertainty or market volatility, enables identification of organisational objectives, and implementation of the required steps to achieve them. It is suggested that the importance of an effective financial strategy especially, considering the available resources within an organisation in light of opportunities offered by the financial markets, has become increasingly important (Ferri, 2021).

In times of uncertainty, as those imposed during the pandemic, organisations have faced challenges of varying complexity which have in turn forced new effective strategies to develop. The COVID-19 crisis is considered a “twin pandemic”, presenting a challenge to health and wealth on a global scale (Mayhew, 2020). The research will address the impacts of this crisis on UK Life Insurance organisations, informed by the key changes to financial performance, and working habits in this sector to determine how these will influence future financial strategy.

Life offices are large organisations, who implement change slower than their smaller-sized competitors (Chesbrough, 2020), a result of long-standing business structures, intangible stock and strict legislative solvency requirements. These organisations are adapting to COVID-driven changes and must be aware of emerging strategic financial opportunities.

This research was designed to analyse the financial statements of the leading 4 UK Life Insurance firms, i.e. Aviva, American International Group Inc (AIG), Zurich Insurance Group (Zurich) and Lloyds Banking Group (Lloyds) (Marketline, 2021) to determine key changes in financial ratios, strategy, profitability and liquidity. An online survey of employees working with this sector will

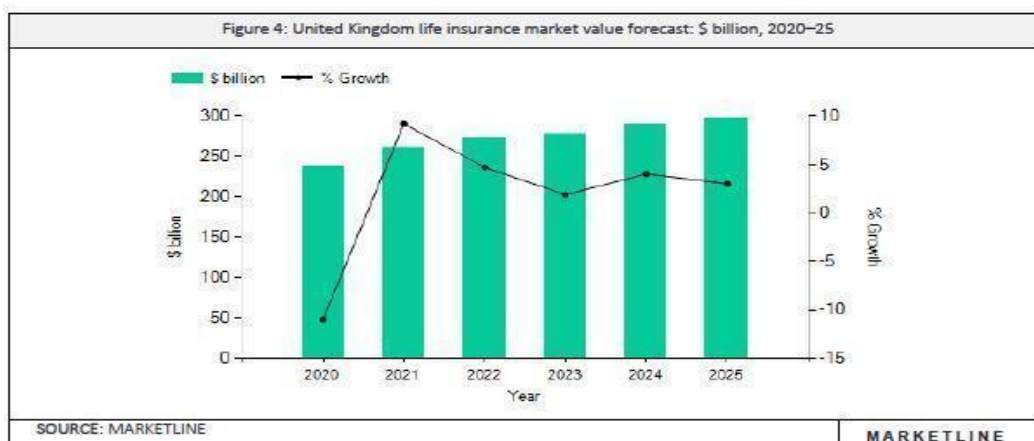
determine perceived experiences of the pandemic during 2020 to 2022.

The results collected from both research methods will allow the researcher to draw conclusions on the effects of COVID-19 on financial and non-financial stakeholder value within the UK Life insurance industry with a view to theorise on future financial strategy.

In the rise of Life Insurance demand, this topic is of particular importance. The pandemic has re-emphasized the requirement for mortality protection (McKinsey, 2020), and in an era of rising costs of living, there is an increased requirement for insurance as means of income protection or family provision (Aegon, 2022). The model below indicates the projected growth figures for the UK Life Insurance Industry from 2020 to 2025.

Figure 1: UK Life Insurance Market Forecast

Table 4: United Kingdom life insurance market value forecast: \$ billion, 2020–25				
Year	\$ billion	£ billion	€ billion	% Growth
2020	238.8	186.1	209.2	(11.0%)
2021	260.8	203.3	228.4	9.2%
2022	273.1	212.8	239.2	4.7%
2023	278.3	216.9	243.7	1.9%
2024	289.5	225.7	253.6	4.0%
2025	298.2	232.5	261.2	3.0%
CAGR: 2020–25				4.5%
SOURCE: MARKETLINE				MARKETLINE



Sources: (Marketline, 2021)

It is expected that the UK Life Insurance sector will achieve a growth of 24.9% between 2020 and

2025, with a compound annual growth rate of 4.5% (Marketline, 2021). This market accounts for approximately 27.7% of the European Insurance market's value, with Aviva PLC as its market leader with 14% market share, along 3 other key players: Zurich, Lloyds and AIG, boasting market shares of 6.7%, 3.7% and 0.5% respectively (Marketline, 2021). Although the demand for adaptation and strategy reform extends beyond the UK's Life Insurance sector, the opportunities within such firms, in light of their post-pandemic demand, are of great interest.

Whilst research already exists in areas surrounding corporate strategy and change management, an in-depth analysis of financial strategy within UK life insurance firms has yet to be conducted. This research seeks to address this topic and discuss growth opportunities for affected firms.

1.4: Rationale

A fundamental question this study aims to address is which strategic financial decisions will improve opportunities for competitive advantage in the aftermath of an economic and health crisis such as COVID-19 pandemic. Research conducted by Kahtani (2020) revealed that private insurance companies adapted a variety of new change management strategies throughout the pandemic, many of which led to permanent implementation after lockdown regulations eased. The implementation of COVID-driven strategy resulted in both financial and non-financial benefits, including competitive repositioning, increases in revenue, and increased employee engagement.

As the UK economy now begins its recovery from the pandemic, increased attention to financial strategies must be given. An effective strategy "assists companies in best understanding the phenomena that cause uncertainty and complexity" (Ferri, 2021, p. 2) with intention to improve positioning for future threats and opportunities.

This research is of particular significance as organisations within the UK Life Insurance sector face a demand for growth and innovation in yet unexplored post-pandemic market conditions. It is vital for such firms to gain an informed understanding of key changes to business operations resulting from the pandemic, with a view to maximising potential for effective financial decision-making in the post-COVID landscape.

1.5: Proposed Methodology

The primary research study considers a mixed methods approach, combining qualitative and quantitative data by way of a financial study and an online survey research. The key challenge posed by this approach is obtaining a representative sample of the selected sector due to geographical and time constraints. To address this, financial data will be collected online from the 4 leading UK Life Insurance firms during the years in which the COVID-19 pandemic was at its peak (i.e. 2019-2022) to act as a representative sample of the sector. An online survey will target any employees in the UK Life Insurance sector to achieve adequate representation. The researcher will explore professional connections within the chosen sector as well as social media platforms for snowball sampling to achieve survey participation from a representative sector sample.

The research instruments selected for this study include a financial ratio analysis and an online survey. It is suggested that “the financial statements... allow you to tell the ‘story’ of a business. You can tell its history, its strength and weaknesses, and sometimes even its future” (Tracy, 2012). This element of the project aims to identify any changes in organisational spending habits, business profitability, and strategy during the time parameters of the study. The survey research aims to determine overall trends in the experiences of employees in this sector, using a variety of close-ended multiple choice questions, and open-ended text-response questions. The survey questions have been designed to explore the key themes identified in existing research such as

digitalisation, flexible/remote work, policy innovation and talent management.

A multi-level approach will be used for the analysis of the data, allowing the use of different methodologies for addressing both qualitative and quantitative data. A financial ratio analysis will offer statistical data on the financial position of the selected organisations over 3 years. Such data will allow for a descriptive trend analysis, sample averages and sector averages to be considered with a view to determine key changes resulting from the pandemic. The survey data will be analysed using a Content Analysis approach which aims to quantify certain words or concepts in text-based answers to ascertain descriptive characteristics of the sample population (Krippendorff, 2004). The results of both components will be compared to determine consistent themes and relationships to provide an overall interpretation of the effects of COVID-19 on financial strategy within this sector (Tashakkori & Teddie, 2009).

1.6: Dissertation Structure

The research project has been divided into 5 key chapters as follows:

1.6.1: Introduction

The introductory chapter will provide the background context for this study. Key aims and research questions addressed by this study will be presented, and the objectives and the rationale will be discussed confirming the necessity for the primary research.

1.6.2: Literature Review

This chapter conducts a detailed review of existing research concerning the effects of COVID-19 on financial strategy in Life Insurance firms to provide a basis for the primary research. The chapter considers journal publications, relevant theory and frameworks, and sector-specific market research

to influence the primary research design in terms of the key themes within the research topic, and efficient methodology used.

1.6.3: Methodology

Chapter 3 provides the design of the research project by application of relevant framework. The chapter discusses philosophies, data collection, analysis strategies and ethical considerations of the research. Factors concerning scope and sampling are discussed, and the informed design of the survey questions is presented.

1.6.4: Data Analysis

This chapter discusses the key findings of the research. Initially, the chapter presents findings from the financial ratio analysis, identifying key trends in the financial statements of leading UK businesses within the Life Insurance sector. The data will discuss changes in relevant ratios year-on-year to determine the effect of the COVID-19 pandemic on various financial aspects within this sector. The chapter then presents findings from the survey. A critical analysis of both data sets is discussed and presented.

1.6.5: Conclusions and Recommendations

This chapter discusses the relevance of the findings for strategic decision-makers in the UK Life Insurance industry. The chapter will discuss further research opportunities influenced by shortcomings of this research. The chapter will conclude the project by making informed recommendations for effective financial strategy in a post-COVID business environment.

1.7: Conclusion

This introductory chapter has detailed the basis for the primary research project, outlining the key

aims, objectives and research questions the study seeks to address, as well as the rationale behind the topic in question. The following chapter will discuss a literature review exploring the key theories, frameworks, and themes of this undertaking.

Chapter 2.0: Literature Review

2.1: Introduction

This chapter aims to conduct a detailed review of existing research concerning the effects of COVID-19 on financial strategy in leading UK Life Insurance firms. This will provide a basis for the primary research.

Unprecedented events have forced organisations to reconsider business strategy, a key component of which is finance. Financial strategies are found within every part of business, aiming to complement the overall aim of every organisation: to increase value (Tiffin, 2014). The UK economy has seen extreme market volatility since 2020 during COVID-19, with GDP having fallen 19.4% within one month during the UK's first lockdown - a change not seen since 1955 (ONS, 2022). This has forced many changes to business operation and strategy.

A plethora of theories exist, exploring financial strategy as a tool to achieve business objectives, wherein the "objective" is identified as the creation of value to shareholders (Bender & Ward, 2012). However, the literature review has revealed that research on the Life Insurance Sector has not yet been exhausted, especially not within the parameters which this study hopes to address. The gap in research exploring financial strategy throughout COVID-19 implies a lack of understanding of this aspect of business management. Little research exists exploring the perceived impact of the pandemic on those working with the UK Life Insurance industry. Data suggests that the Life Insurance sector is facing increasing demand (Makda, 2022), and thus would benefit greatly from research which may provide opportunity for competitive advantage.

The COVID-19 pandemic is extremely recent, and the effects thereof are still uncertain as the virus remains a concern. The literature review represents an understanding of existing research at the time of writing.

The literature review is in two main sections, the first of which will consider background literature including frameworks, theories and statistical data surrounding the key topics of this study: Financial Strategy, COVID-19, and Life Insurance. This aims to establish an understanding of the relevance of financial strategy, methods on measuring its efficiency, whilst providing a basic understanding of the chosen sector in context of the pandemic. The second section will consider COVID-19 and the Life Insurance Industry. This section will discuss existing research that has been conducted since the COVID-19 pandemic began to set the basis for the primary research. This aims to provide insight into efficient methodology and limitations of research, whilst developing an understanding of the Life Insurance Industry during this time.

2.2: Background Literature

To fully appreciate the emerging strategies in a post-COVID world, it is advised to first understand the meaning of strategy, and how this is implemented and measured within an organisation.

Ruth Bender and Keith Ward (2012), two key authors in the world of corporate financial strategy, suggest that the overarching aim of any organisation is to create value and that the strategy identifies the steps required for this aim to be reached.

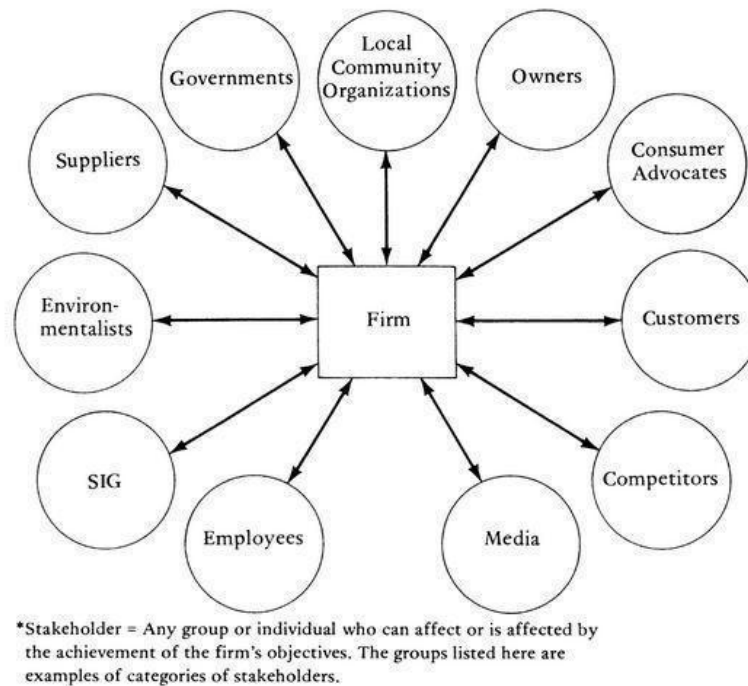
It is theorised that finance is an integral part of a business strategy; operating decisions affect financial policies, and financing decisions affect operating strategies (Narayanan, 2004). The purpose of a financial strategy is to both identify and exploit value-creating opportunities by raising

funds appropriately, and managing the employment of these within the business, and in doing so, increasing stakeholder value (Bender & Ward, 2012).

2.3: Stakeholder Theory

Stakeholder Theory was first developed by Freeman in 1984 as a system of management and business ethics, designed to consider morals and values in the management of a business. In his work, stakeholders are defined as “any group or individual who can affect, or is affected by, the achievement of a corporate purpose” (Freeman, 1984, pg. 6). His model, as shown below, identified several groups of stakeholders.

Figure 2: Stakeholder View of a Firm



Sources: (Freeman, 2010, pg. 25)

This model has since been developed further by Reed (1999), who recategorized the stakeholders as either internal (employees, managers, shareholders) or external (debt holders, community, suppliers, customers, and government), each of which must be considered in strategic decision-making.

Stakeholder theory has proven a useful tool in many elements of management strategy by informing stakeholder identification and the assessment of their legitimate interest in organisational activity.

This system forms recommendations concerning structures and practices of effective stakeholder management to achieve performance goals i.e. profitability, growth, and stability (Campbell, 2007, Donaldson & Preston, 1995, Driver & Thompson, 2002, Friedman & Miles, 2002)

Throughout the years, the key consideration of Stakeholder Theory has remained consistent, suggesting that in order to achieve real business success, organisations must achieve value for each and every stakeholder (Freeman, 2010). It has since become a key influence in business ethics and the development of effective strategy, seeking to identify the relationships of an organisation with its stakeholders within its environments.

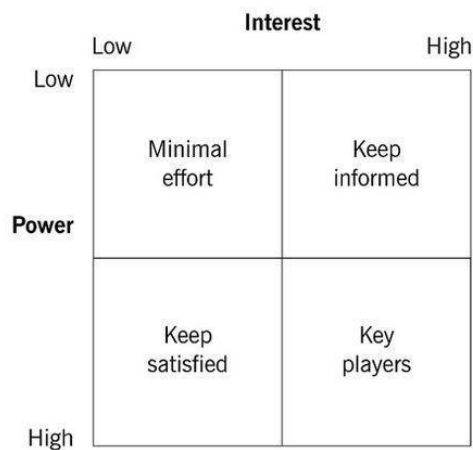
Similarly, the aims of an effective financial strategy should therefore extend beyond the value created for shareholders alone. In fact, it has been argued that the best practice of financial strategy must also give consideration to all stakeholders (Bender & Ward, 2012). This is again supported by Narayanan (2004) who suggests that financial strategy is designed not to maximise value, but to optimise value across all stakeholders in line with the business objectives.

Michael Porter (1980) originally offered an opposing stance, considering strategy as a function to achieve financial performance. In his work, Porter identifies 5 forces which determine the nature of the competitive landscape for an organisation and sets guidance for how this may be used to achieve

a sustainable competitive advantage. However, in a more recent publication, Porter and Kramer (2006) suggest that elements such as Corporate Social Responsibility (CSR) and sustainability should also be considered. It is argued by Freeman (2010) that this stance is not too different from the Stakeholder Theory, suggesting that forces concerning the bargaining powers of suppliers or customers refers simply to the stakeholders of the business. Similarly, bargaining powers of employees, a community, or legislation must also be considered, and Porter’s later work on CSR appears to support just that (Freeman, 2010, Porter & Kramer, 2006).

In the development of strategy, the framework fronted by Mendelow (1991) is often considered to determine the level of influence of each stakeholder group on an organisation. To achieve this, the framework depicts the power-interest balance of stakeholders and what this may mean to the organisation, as seen below.

Figure 3: Stakeholder Matrix



Sources: (Mendelow, 1991)

The framework is used to inform the strategic decisions made by management, by prioritising the values of certain stakeholders over others. The theory suggests that stakeholders with high interest

and high power are the key stakeholders, and that acceptability of strategy for those who fall in this category should take precedence. Commonly, this quadrant may include shareholders and investors of an organisation. Those stakeholders which have low power and low interest, only require minimal effort to remain satisfied.

Stakeholders with low interest and high power are often seen as the most difficult. Though relatively passive, they may reposition as key players if their level of interest is underrated, and thus force strategic change. Similarly, those that are low power and high interest, such as employees, may seek to increase their powers where possible to achieve greater influence. These are considered crucial allies and may have influence over more powerful stakeholders and as such inspire strategic change (Johnson, Scholes & Whittington, 2009, Mendelow, 1991).

2.4: Efficient Market Hypothesis

When considering financial indicators of performance such as the stock prices of an organisation, a key theory to consider is the Efficient Market Hypothesis (EMH). Developed by Fama (1970), EMH is a hypothesis which states that share prices reflect all possible information at all times, implying that all stocks will always trade at their fair value. The theory argues that in a truly efficient market, it should not be possible to outperform the market by selecting better stocks, but that improved returns can only be achieved by buying shares with higher risk.

This concept was divided into three stages, based on varying opinions of the efficiency of markets as a whole:

- The weak form of EMH, known as the “random walk”, suggests that all historical price information is incorporated into current share price, suggesting that price movement is not controlled by past trends, and as such cannot provide insight into future movements.

- The semi-strong form of EMH suggests that all published financial data is included in share pricing, implying that investment decisions informed by technical study of organisations financial statements would not consistently improve returns.
- The strong form of EMH argues that all available information which can be known is included in the share price, i.e., that privileged information or insider information would not enable investors to produce a consistently higher return than normal.

There is no universal agreement on the level of efficiency of markets. However, one key conclusion drawn from this theory is that financially viable projects, i.e. those which produce a positive net present value when measured against an appropriate risk-adjusted discount rate, will produce the required financial funding (Bender & Ward, 2008). Some investors believe that out-witting natural market movement is impossible, whilst others believe that technical analysis may provide increasing returns. On occasions where this occurs, those supporting EMH consider it luck. For those who believe that markets are truly efficient, it would be concluded that share price is an accurate representation of value at all times (Rothbard, 1989). A key opposing force to the efficiency of markets lies in the human element; that investor expectation, and the sometimes-irrational investor behaviour such as over-selling or over-buying of shares, may force stock prices to change unexpectedly, with the potential to cause larger market events (Haugen, 1995).

Under EMH, large market events are unpredictable. If they could be predicted, market prices would be inefficient as they would not reflect the information represented in the prediction. It is suggested instead that it may be possible to predict that an event may occur, but not when (Ball, 2009). It is argued that during times of economic uncertainty, such as the aftermath of a stock market crash, scope exists to profit from opportunities which other market participants have missed, despite the

market's efficiency. EMH considers any returns which exceed the market as an anomaly, and as such it may not consistently be clear which behaviours will provide exactly this result. Such ventures are considered high risk, but may therefore be rewarded accordingly (Rothbard, 1989).

2.5: Indicators of Performance

When considering the creation or optimisation of value in an organisation, consideration must first be given to the means by which value is measured. The most obvious measurement of an organisation's value is financial performance. This is commonly analysed via the use of financial ratios which are mathematical expressions that measure the health of an organisation considering its financial performance and cash flow over a given period of time (Nadar & Wadhwa, 2019). Furthermore, financial ratios are often used in predicting future performance as inputs for empirical studies or models, which may later be used to inform strategic financial decisions (Altman, 1968, Beaver, 1966).

This is confirmed by existing research aiming to assess the financial performance of the life insurance industry in emerging economies. Akotey (2014) was able to draw conclusions on financial strategy by analysing annual financial statements of Life Insurance firms in Ghana over an 11-year period. The analysis revealed shortcomings in the relationship between sales profit and investment income, as well as highlighting underwriting losses as a result of overtrading and price cutting. From the results, it was concluded that strategic changes were required in actuarial departments, record keeping and risk management structures to improve sector stability within the emerging market (Akotey, 2014).

Ralph Tiffin (2014) suggests that a financial strategy focuses its objectives around the Return on Investment (ROI), which measures the financial benefit of an investment against the cost of

undertaking it, as this commonly aligns with the business objectives. Similarly, Marr (2012) identifies various financial ratios and metrics such as net profit, net profit margin, and ROI as key financial indicators of performance. The net profits consider available funds within the organisation after expenses have been paid, whilst net profit margin expresses this as a percentage of the revenue so that it may be comparable over time, or to competitors within the sector (Marr, 2012).

Considering that financial strategy can be referred to as “the science of the management of assets and liabilities to achieve an intended objective” (Tiffin, 2014), it would be reasonable to conclude that the success of a financial strategy may be measured by the metrics stated above.

Theory suggests that a financial strategy is either operational or structural. The operational strategy considers specific objectives such as increasing profits or reducing costs, which can be measured, reported, and implemented using financial models, whilst the structural strategy considers the way in which the business is financed (Tiffin, 2014). It would be imperative to consider suitable measurements in both subcategories before a real evaluation of a financial strategy can be made.

Furthermore, it is suggested that “achieving value” not only refers to a financial measurement, but also non-financial indicators of performance within an organisation such as customer satisfaction, employee satisfaction and employee engagement (Marr, 2012). Some research suggests that non-financial indicators of performance may be equally relevant to corporate strategy development (Dossi & Patelli, 2010). In Dossi & Patelli’s (2010) study, 300 subsidiaries of foreign organisations operating in Italy were surveyed, employing an average of 600 employees. The aim was to determine the use of non-financial performance indicators within international organisations and review their relevance to the organisational strategy. Findings showed that approximately 47% of indicators used in their Performance Measurement Systems (PMS) were non-financial, and that

these were used to identify the best practices within cooperative relationships. Dossi and Patelli (2010) concluded that PMSs using non-financial indicators were an effective tool in facilitating strategic alignment.

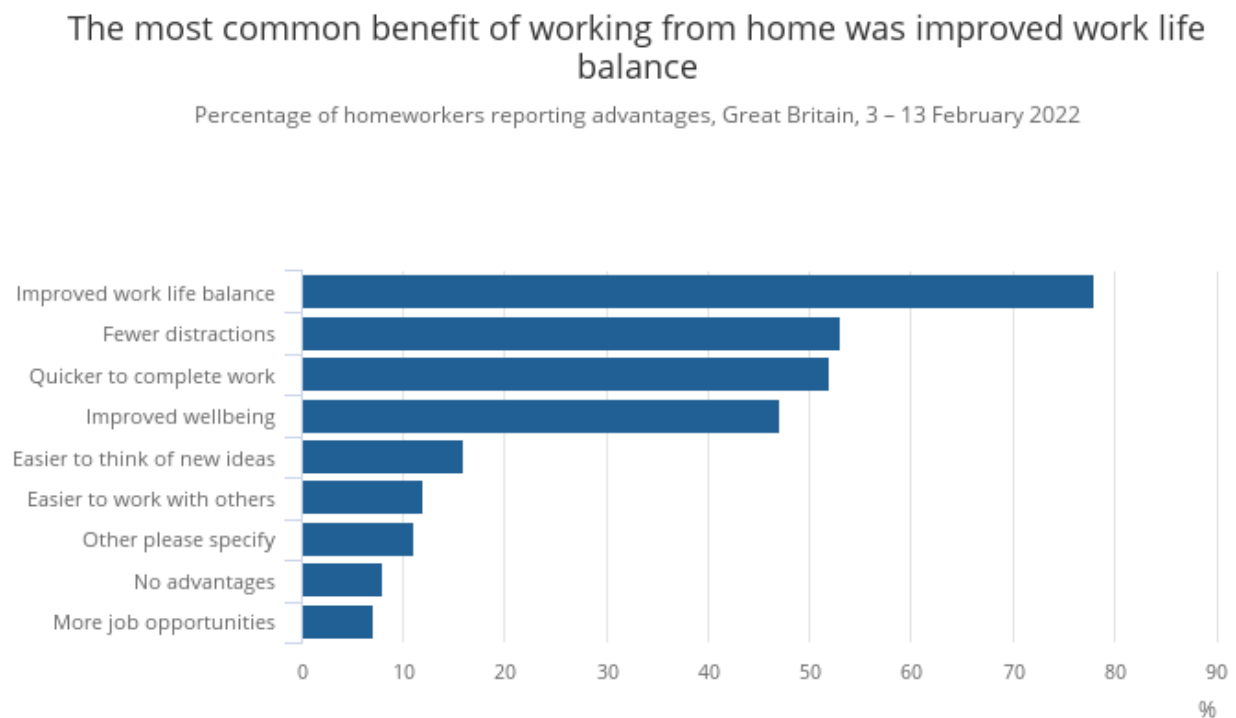
It is clear from the above theories that the question concerning the performance of a business, and thus the effectiveness of its strategies, financial and otherwise, should be answered not only through financial indicators of value, but should also consider the non-financial. This rationale provides the basis for the first-hand research, considering financial and non-financial input in the evaluation of strategic efficacy.

2.6: COVID-Driven Change

The emergence of the COVID-19 pandemic catalysed permanent change in many aspects of business, though it is suggested that employees were amongst the stakeholder groups most affected. Social-distancing measures and national lockdowns forced the adoption of flexible and remote work across many organisations globally, incidentally demonstrating the efficiency of hot-desking and working from home and thereby increasing its demand (Dartnell, 2020).

During the pandemic, almost half of working adults in the UK began working from home, the majority of which planned to maintain a hybrid working role once the restrictions allowed (Office of National Statistics, 2022). It was perceived that though unplanned, the forced shift in working habits held various benefits for UK employees as demonstrated in the model below.

Figure 4: Is hybrid working here to stay?



Sources: (Office of National Statistics, 2022)

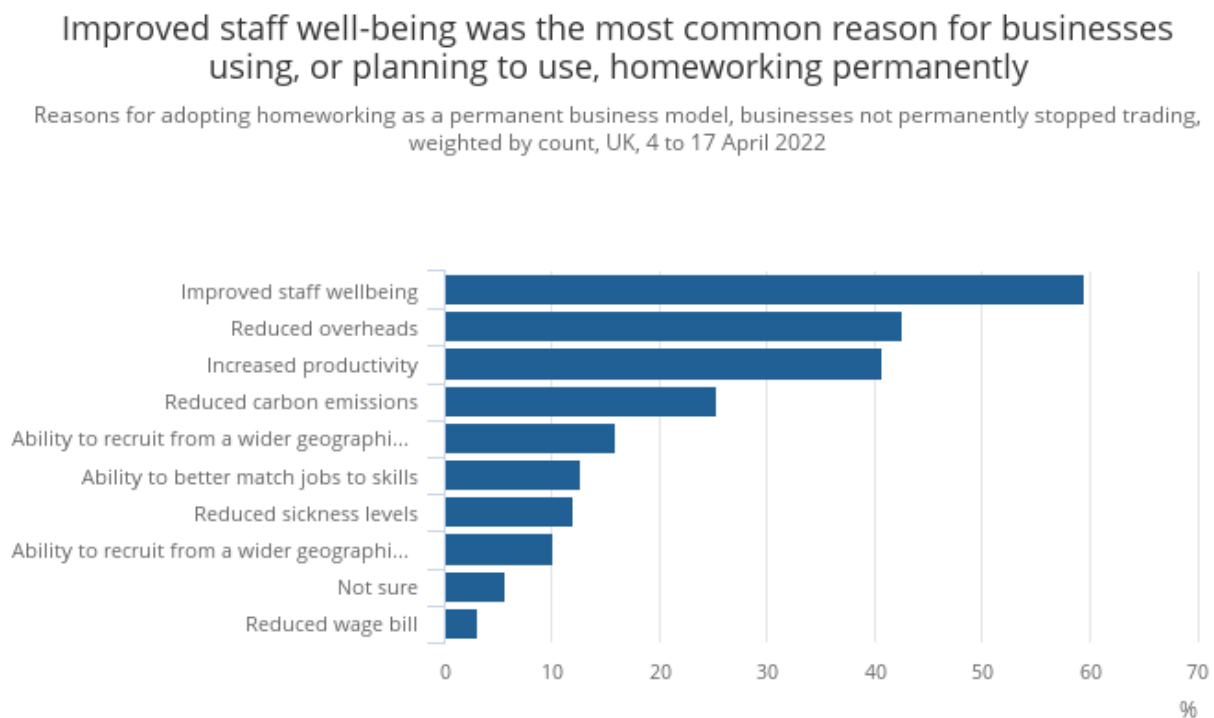
The model suggests that of the data collected in the UK 2022 Opinions and Lifestyle Survey (OPM), 52% reported that working from home allowed work to be completed quicker, 53% suggested that they experienced fewer distractions and 78% experienced an improved work life balance (Office of National Statistics, 2022).

Further research conducted by Smite *et al.* (2022) surveyed the employees of 17 organisations across 12 countries to determine whether pandemic-driven changes should become a permanent aspect of business strategy. The study revealed that home-offices were considered superior for concentration and uninterrupted working, whilst office-based work was more effective for collaboration. Overall, the results confirmed an increasing demand for flexibility and hybrid

working, suggesting that the majority of participants would benefit from 2-3 days per week working from home.

It is argued that the benefits extend beyond the preferences of employees. Whilst the most reported benefit of homeworking was an improved work-life balance, 43% of businesses reported reduced overheads, 60% reported improved staff well-being, and 41% reported increased productivity (Office of National Statistics, 2022). These benefits were documented as reasons for adopting homeworking within a permanent business model as indicated by the figure below.

Figure 5: Reasons for adopting homeworking as a permanent business model.



Sources: (Office of National Statistics, 2022)

The data already begins to indicate both financial and non-financial benefits of certain COVID-19 driven changes, and more so, it is becoming apparent that value created in employee satisfaction

and well-being, may directly affect the financial value within organisations, and thus will inspire development of management and strategy in the future. This is also argued by Sharfuddin (2020), who theorised that administration, storage, heating, and insurance costs may be reduced through hybrid work, whilst allowing improvements to work-life balance and time keeping for employees who would otherwise commute. Sharfuddin (2020) suggests that the implementation of pandemic-driven policy into organisational strategy would increase financial and non-financial value.

2.7: Researching the Life Insurance Sector

The Life Insurance sector has seen many changes surrounding demand, policy, and claims, and numerous studies into this sector have already been conducted. Whilst the COVID-19 pandemic negatively affected life insurance stock returns globally, and even more so in developing countries, research considering abnormal returns of 958 insurance companies from Australia, Canada, Germany, USA, UK, Brazil, India, and Indonesia found that organisational size, risk, P/E Ratios, profitability, and dividend yield affected the level of abnormality of returns during the pandemic (Farooq, Nasir & Bilal, 2021). The research suggests that some strategies were more effective than others, and that the lessons learned as such may benefit the development of future strategy.

In the case of Life Insurance in Ghana, it has been investigated that profits and premiums of life insurance firms declined whilst the number of insurance claims increased. The data was collected using quantitative and qualitative interviews and life insurance statistics i.e. total premiums, claims, profits, assets and liabilities, market share and business investments (Babuna *et al.*, 2020). Similar research has been carried out in Europe, seeking to evaluate the effects of the pandemic on European Life Insurance firms using financial data from 2010 to 2020. The findings confirmed the negative effects of the pandemic on ROI ratios in Germany and Italy, and solvency ratios in

Belgium and France (Pulawska, 2021). A decline in profitability across Life Insurance organisations during the peak of COVID-19 can be seen. It is argued that now, in the aftermath, opportunities for growth and development exist for such organisations.

A study from Makda (2022) confirms that the demand for new life insurance applications began to increase in 2020 in the US, quoting a year-on-year increase of 9.2% during the third quarter, and 14.1% in July 2020 alone. This momentum continued throughout 2021 with an annual growth of 3.4%, which has the second-highest growth recorded, the highest in 2020 with 4.00%. Studies such as this suggest that the pandemic marks the start of an upwards trend for Life Insurance firms. This notion is recognised in further research by Preda, Popescu, and Driga (2021) who analysed global market data and solvency ratios to identify the COVID-driven changes on Global Insurance Markets. A sustainable paradigm shift was identified within the sector, confirming an increasing demand for protection and innovation of policy to include various pandemic-cover options, and digital transformation. The increasing demand and necessity for innovation suggests that strategic planning will play a key role for organisations in this sector. In particular, it is suggested that the financial strategies must adapt to the fluctuating economy, new business objectives, increasing costs, claims, and high demand for new COVID-inclusive cover.

2.7.1: Process Innovation

Since the climax of COVID-19, research into strategic changes of Life Insurance organisations has begun to emerge. A study by Harris, Yelowitz and Courtemanche (2021) researched quotation software utilised by US life insurance brokers, to analyse the changes in pricing and offerings of Life Insurance providers throughout the pandemic. The research considered monthly data from 96 companies and 814,730 unique term-assurance policies between January 2014 to February 2021. It was found, contrary to expectation, that overall pricing of Life Insurance premiums did not increase

throughout the pandemic, despite the declining profits. However, it was also discovered that low-cost leaders reconsidered their pricing strategies to align premium costs with competitors to account for added mortality risk, especially for those who were considered high risk (i.e., smokers, existing health issues). Similarly, policies offered to anyone aged 75 were removed from the market during this time. This study demonstrates a degree of strategic financial changes, implemented via changes to product conditions and pricing strategies of low-cost organisations, as a means to decrease risk of excessive overheads and claims, and increase income. Overall, Harris, Yelowitz and Courtemanche (2021) concluded that the recorded behaviour was consistent with market competition, increasing demand for protection and precautionary behaviour during the pandemic.

Financial strategies began to show signs of short-term adaptation in the midst of the pandemic, whether by controlling expenditure via risk mitigation, or by control of income via policy innovation and pricing. Research by Carannante *et al.* (2022) aimed to determine the long-term strategies which may have developed during this time. The study analysed the profitability of Life Insurance firms in the aftermath of COVID-19, connecting profitability analysis of financial data with statistics concerning increases in death rates, specifically considering the effects on longevity projections within the organisations. It was concluded that the way in which risk and mortality forecasts were conducted needed immediate revision. It was found that these processes were heavily distorted by increasing mortality rates during the pandemic, and as such were less effective in informing pricing, risk and solvency management policy. Carannante *et al.* (2022) suggested that in order for Life Insurers to remain profitable, they should focus their attention to improvements of their strategic financial processes surrounding risk mitigation and pricing, with consideration given to increasing demand for social wellbeing and health care. These findings indicate the value of strategic financial adaptation following COVID-19, highlighting the importance of innovative processes and development.

This ideology is supported by research conducted in Ukrainian insurance companies by Polinkevych (2022), whose study aimed to identify strategic changes of business models as a result of the pandemic. The data identified several changes to processes within Life Insurance organisations such as the emergence of chatbots, Big Data, Mobile ID, Bank ID, and online access to registers. Polinkevych (2022) concluded that business models have already begun to change to innovative, hybrid and digital-oriented. These findings are consistent across the various research studies discussed, affirming increasing trends in digitalisation of processes, innovation, hybrid working arrangements and demand for wellbeing. Such trends are also consistent with the perceived impacts of the pandemic on executive-level employees working within the Life Insurance industry (Rajnikanth & Doss, 2021). The study identifies a significant increase of client insurance awareness, health consciousness of customers as well as staff, and increasing demand for health and term insurance. Furthermore, the research identifies a demand for COVID-specific policy, and the development of policy to offer protection in similar crises. Consistent with the findings of Carannante *et al.* (2022) and Harris, Yelowitz and Courtemanche (2021), Rajanikanth and Doss's study (2021) suggests that strategic financial developments should be made regarding risk mitigation processes, digitalisation, and pricing.

2.7.2: Digitalisation in Life Insurance

One consistent finding influencing strategic decisions within the Life Insurance sector is increasing digitisation, and changes to processes which may then be facilitated. The pandemic has presented an acceleration of development in this area. As demonstrated by statistical data from the ONS (2022), a shift to hybrid and flexible working is already developing as a result of the pandemic, and it is suggested that such a change may be beneficial to Life Insurers in various ways. Research conducted by Veglianti (2021) discusses the potential of smart working solutions and digital

development to achieve collaboration, efficiency and increased employee well-being. A series of interviews on Italian and Swiss banking and insurance employees concluded that smart working is becoming a requirement in the banking and insurance sectors to allow for an improved diversified service. Though accelerated by the onset of the COVID-19 pandemic, the smart-working model has presented various opportunities within these sectors. Veglianti (2021) reports that the pandemic has inspired a change to hiring specifications, seeking capabilities linked to technology and remote work. It is implied that this will be the business model of the future and is already beginning to appear in permanent organisational policy. Strategic changes such as this presented further advantages for employees in Italy, who showed a preference to smart-working arrangements, and reported an improved work-life balance, and for participating banks who confirmed reduced costs for renting of office space.

In Switzerland, Veglianti's research (2021) reported that of insurance employees with managerial responsibility, 24% had already adopted hybrid work once per month, and 19% once per week, before the pandemic. This became 100% remote work throughout COVID-19. It was then recorded that over 40% of managers considered smart-working a positive influence on collaboration and communications, and 60% confirmed that they no longer consider a fully office-based approach adequate due to the benefits of employee well-being and work-life balance (Veglianti, 2021). These findings suggest that the necessary infrastructure and technology for hybrid work was already present in this industry, and as such became an easier transition for employees. It therefore be argued that the increased digitalisation within this sector has incidentally increased the value of effective, skilful employees, increasing the importance of this stakeholder group within organisations as reflected in changes to talent management and hiring strategies.

A literature review conducted by Kajwang (2022), revealed that profit reductions and budgeting have negatively affected talent management in insurance industries. In particular, performance evaluations and reviews were downgraded or abandoned throughout COVID-19. However, the research deduced that the attention given to talent management strategy should increase in light of the challenges created by the pandemic which may be managed through effective staffing. It was recommended that insurance organisations should foster non-financial performance measurements to consider employee capability. This will allow staff to thrive in a post-COVID business environment, promoting innovation, networking and procedural development which may influence management systems in the future (Kajwang 2022). This conclusion is supported by Mutembei (2022), who researched the impact of employee capability on organisational growth within the Life Insurance industry in Kenya. A literature review revealed that there was a shortfall in professional training and staff development in this sector and that this should be addressed with urgency following the end of the pandemic. It is suggested that staff capability has a direct influence on organisational growth, and that competence and skill of employees should be a vital consideration for management and strategic development.

The research discussed throughout this review has identified several topics to consider in the development of the primary research. Findings from the studies considered consistently show increases in demand for adaptation of organisational processes, informed by adaptive financial strategy. Such processes include risk calculation, pricing, talent management, employee management and digitalisation. Beyond this, the research has provided insight into the effect of COVID-19 on various aspects of financial strategy within Life Insurance organisations, affecting both financial and non-financial opportunities for value-creation. Extensive consideration has enabled initial conclusions to be drawn, which are extrapolated in the following section.

2.8: Conclusions

Consideration of the literature discussed has provided a basis for the primary research, the objective of which is to determine the effects of COVID-19 on the financial strategy of leading UK Life Insurance firms.

The aim of a financial strategy is to increase value for stakeholders. It was identified that employees are an increasingly powerful stakeholder to consider (Veglianti, 2021). This is due to organisational developments incidentally increasing the value of skilful employees, and the requirement for talent management in organisational strategy (Mutembei, 2022). It was concluded that to accurately measure the efficacy of financial strategy, the value created for both employees and shareholders should be considered.

Research suggests ROI, Net Profit, Net Profit Margin and Solvency Ratios are accurate financial indicators in assessing financial strategy, assuming that markets are efficient (Tiffin, 2014, Marr, 2012) whilst employee engagement/satisfaction are important non-financial indicators (Marr, 2012). Both indicators are equally important (Dossi & Patelli, 2010), and should be considered in the development of the primary research. No research has surfaced which considers both such data in forming strategic recommendations. However, the methodology is proven effective in this subject matter for both qualitative and quantitative research.

The literature review aimed to determine the existing level of research in the subject area.

Geographically, a majority of the research reviewed considered cross-country comparisons, on a Global or European level. Country-specific research was found in Ghana and the USA. Data from

UK organisations has been included in European studies, however no specific research exists on the UK Insurance Industry. It is therefore concluded that a gap exists in the understanding of this industry, and that further research would prove beneficial.

It is concluded that such research may offer significant opportunity to organisations within this sector and may set the guideline for future strategic financial success.

Chapter 3.0: Methodology

3.1: Introduction

Effective research methodology is a key component to the success of a project. The previous chapter reviewed academic literature, theoretical frameworks, and existing research, focusing on the influences of COVID-19 on financial strategies in UK Life Insurance firms. This chapter will offer an understanding and justification of the research processes used throughout this undertaking to achieve the first two objectives of the dissertation:

1. Analyse the financial strategy and decision-making of the leading UK Insurance providers during the COVID-19 era using relevant financial statements.
2. Analyse the perceived effects of the COVID-19 pandemic on employees working within this sector.

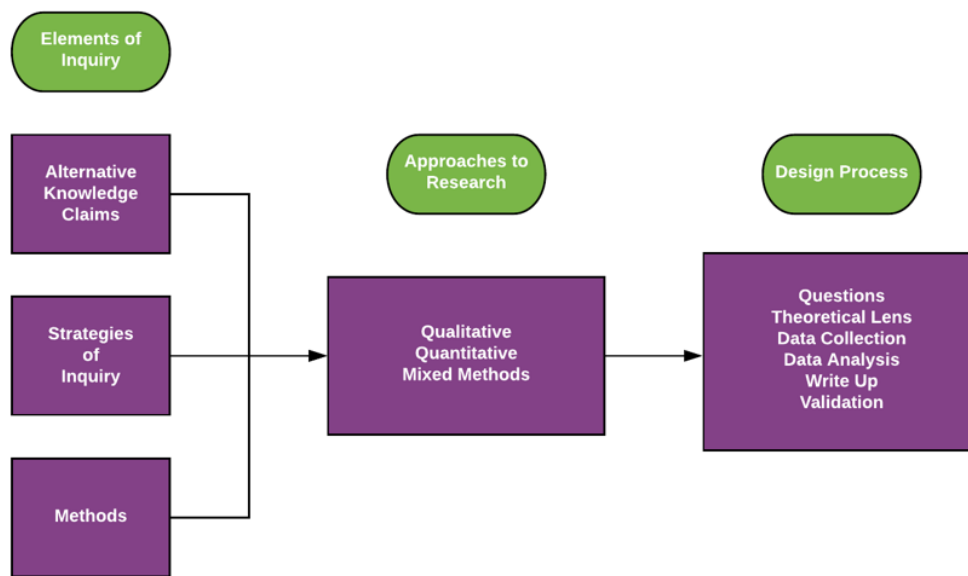
This study is conducted in two parts, considering both financial and non-financial indicators of performance to identify changes to financial strategies in UK Life Insurance firms during COVID-19.

A mixed method approach was chosen in conducting this research. A mixed method research considers the use of “two or more methods... or two or more types of data” in a single research project (Gilbert & Stoneman, 2015, p. 120). This method allows conclusions to be drawn from both quantitative data from financial statements, and quantitative data from employee surveys. It is argued that a mixed method approach provides additional perspective and thus a more extensive understanding to be formed.

3.2: Research Philosophy

Research philosophy refers to a system, belief, and an assumption regarding the development of knowledge (Saunders, Lewis & Thornhill, 2009). It is suggested that the purpose of any research is to expand and develop knowledge in a particular subject area.

Figure 6: Research Design Framework



Sources: (Creswell & Creswell, 2018)

The model above outlines the framework suggested by Creswell and Creswell (2018). The model identifies three key stages of research as elements of inquiry, approaches to research, and the design process.

3.3: Elements of Inquiry

The first of these stages, elements of inquiry, considers the concept of alternative knowledge, strategies for inquiry and method.

3.3.1: Alternative Knowledge Claims

Throughout any research project, several types of assumptions are made, including those regarding valid human knowledge (epistemological assumptions), those concerning the realities the research may encounter (ontological assumptions), and those considering the extent to which one's own values may influence the process (axiological assumptions) (Burrell & Morgan, 1979). Such assumptions will influence the understanding of research questions, the methodology used, and the interpretation of findings (Crotty, 1998). A credible and consistent philosophy will provide the basis for an effective choice of methodology, strategy, data gathering and analysis techniques, allowing for a coherent research design (Johnson & Clark, 2006).

The epistemological assumptions of research focus on what is accepted as valid knowledge, and how this can be known. The primary research seeks to apply existing knowledge from key organisations and key professionals in a practical manner to draw conclusions. The assumption is that the data and methods of application are valid and credible at the outset.

As a working professional in the financial sector, the researcher's ontological assumption is that the financial data collected from UK Life Insurance firms is accurate and honest. It is also assumed that survey participants will answer honestly and provide accurate information. These assumptions may influence the researcher's ability to critique or scrutinise the accuracy of conclusions drawn from the data. Consideration will be given to any potential bias in research design procedure to ensure objectivity throughout.

The axiological assumptions throughout this research give attention to potential biases held by the researcher. As an active professional in the sector, it is suggested that personal bias exists in the

desired outcome of this study. It is argued that the use of publicly available financial data and anonymous online survey participation, effort is made to remove this bias (Nkwake, 2019).

3.3.2: Strategies of Inquiry

The second stage of the model shown above is strategies of inquiry. This stage discusses specific actions, methods or procedures used to conduct the primary research.

The research study will assume a pragmatic approach, which is said to start with a problem and end with a practical contribution which may inform future procedure (Elkjaer & Simpson, 2011). In this context, the problem pertains to the disruption to the business model caused by COVID-19, whilst the end goal is to offer relevant recommendations for future financial strategy.

The methodology of research to be used in this project has been carefully considered to ensure the validity and reliability of the results, so that it will carry impact to organisations within the chosen sector, and have the ability to “effect change” (Denicolo, 2013, p. 2). The first-hand research will be conducted in two parts: a financial analysis and an online survey. The results of both elements should provide insight into key changes to the business model during the pandemic and provide financial and non-financial indicators of value creation to inform the likely direction of future financial strategy. The research uses secondary data, such as historical financial statements, in coalition with primary data, such as a survey, to address the research question (Sallis *et al.*, 2021).

Financial Analysis

The financial study aims to analyse the financial statements of Aviva, AIG, Zurich, and Lloyds during the years 2019-2022 in which COVID-19 was at its peak. This element critically analyses income statements, balance sheets and cash flow statements over 3 financial years to evaluate

profitability, liquidity, and investment performance via the use of financial ratios. Considering key financial ratios and strategic reports published by each of the above organisations, this element of the project aims to identify any key changes in organisational spending habits, business profitability, and strategic changes during the time parameters of the study to identify key effects of the pandemic within a financial context.

Survey Analysis

The second component of the research will use an online survey. This would be considered a descriptive social research element which seeks to describe characteristics of a population sample. A descriptive research design is appropriate for analysing the relationship between two or more variables, and how these change together in a systematic way (Sue & Ritter, 2012). It is argued that the use of surveys ensures standardisation, which ensures validity and removes bias from the equation. The key importance lies in the questions asked, and as such it is recommended to consider measurements, questions or metrics which have already been developed or validated (Sallis *et al.*, 2021). The questions asked will gather data on the key areas facing COVID-driven change. These include digitalisation, hybrid work, health and wellbeing and productivity, and aim to identify which changes have added value to this stakeholder group.

The survey asks a series of multiple-answer questions regarding the changes experienced during the pandemic, and how these affect different aspects of employment. This will provide quantitative data. Text-based follow-up questions will allow participants to elaborate on their views in further detail and offer qualitative data to the research. A copy of the survey can be found in APPENDIX 1. The nature of these questions were heavily influenced by the themes identified in the literature review, as well as the statistical data gathered by the ONS (2022). The literature relating to each survey question is demonstrated in APPENDIX 2.

Sample Selection

The survey aims to achieve a convenience, probability representative sample of employees working in the UK Life Insurance Industry. A convenience sample is considered as members of the population who are chosen based on their accessibility to the researcher, whilst a probability sample suggests that each member of the target population has equal chance to be researched (Trochim, 2002). It is suggested that this can be achieved via the use of a short, online, easily accessible survey, and a snowball sampling technique. This technique begins with a convenience sample of the target population, who each have further connections to members of the same population that they can recruit. These will then have further connections within the target population, and the sample size will “snowball” and grow exponentially (Goodman, 1961).

The primary research will use professional connections through the researcher’s employment in the insurance industry to acquire initial participants who will then circulate and share the link to the survey amongst their connections until the target sample size of 100 participants is reached. The convenience and speed of online sharing, participation, and networking make it reasonable to assume that the findings of the final sample can be generalised to represent the target population. The link to the survey was first distributed to professional contacts and social media platforms on the 14th of December 2022 and ends 1st of February 2023.

3.3.3: Methods

The last element of inquiry, according to Creswell & Creswell’s (2018) framework is a consideration of the data analysis methodology which may be possible during the research. The framework states that such techniques for data analysis and gathering should be considered fully before any practical research and design process is started.

To consider the ways in which data may be analysed, it is vital to understand the nature of the data collected. Numerical data may be classified as “hard” data, such as that collected from financial statements during the primary research. “Soft” data is usually qualitative, considering labels or descriptors as means by which information is conveyed. Opinion surveys provide soft data, though the results may be described numerically (Taylor & Cihon, 2004) by adopting a content analysis approach.

The Content Analysis approach is a research method which aims to quantify certain words or concepts in text-based answers, allowing the qualitative input to translate into quantitative data (Krippendorff, 2004). The use of this method, combined with the financial ratio analysis will provide the researcher with two sets of numerical data from which correlations, conclusions and trends may be drawn. The analysis will provide insight into key changes in both financial strategy and employee working habits throughout the COVID-era to determine whether value gain or loss remains consistent across financial and non-financial data. This will inform recommendations on where future opportunities exist.

3.4: Approaches to Research

Conventionally, two key approaches to research exist; quantitative or qualitative, though in recent times, some researchers opt for a mixed methods combination of the two (Ofiazoglu, 2017). It is largely accepted that a qualitative research approach is used “when observing and interpreting reality with the aim of developing a theory that will explain what was experienced” (Newman, 1998, p. 3). This approach uses description, interpretation of data and language. The quantitative approach, however, “begins with a theory (or hypothesis) and tests for confirmation or disconfirmation” (Newman, 1998, p. 3), via the use of numbers and measurable/countable data.

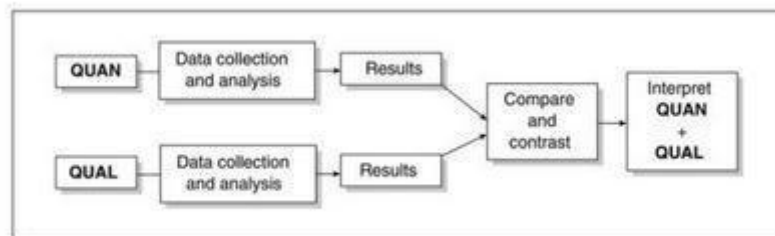
This research considers a mixed methods approach. It is argued that a distinguishable link exists between pragmatism and the mixed methods approach to research (Newman, 1998). This method allows the researcher to examine the effects of the COVID-19 pandemic on a deeper level, whereby qualitative and quantitative data collected on the same phenomenon will offer a more comprehensive understanding than the use of only one approach may have provided.

3.5: Design Process

The last stage of the framework considered by Creswell & Creswell (2018) allows for the final design of the research to be completed after the most effective approaches, strategies and methods have been established.

The model below indicates the Multilevel Design approach used in this research:

Figure 7: Multilevel Design



Sources: (Teddie & Tashakkori, 2009, p. 157)

The above design allows the use of different methods for addressing both qualitative and quantitative data, in this case, the financial data and the survey results. The results of both components are merged to provide an overall interpretation of the phenomenon researched, in this case, the COVID-19 pandemic (Edmonds & Kennedy, 2017). The use of a multilevel approach will allow for an in-depth analysis of each research component separately before correlations and

comparisons may be drawn. This will achieve a comprehensive understanding of both financial and non-financial effects of COVID-19, and as such, provide the basis to complete the final objective of the dissertation.

It is vital to consider the limitations of the research components used in this design. A key concern throughout the design of this research was ensuring that appropriate participation to the survey could be achieved. To mitigate problems in this area, an online survey was selected for ease of distribution, and an exclusionary question was included to ensure those participating were employed in the target industry. To improve likelihood of honest and full completion, the majority of questions offered multiple response or checklist answers, whilst those requiring text based responses were limited to 2 questions. The survey's estimated completion time was 3-5 minutes, aiming to mitigate boredom or unwillingness to complete due to lack of interest, time or concentration (Lavrakas, 2008).

Similarly, it is important to recognise that the financial data collected through the ratio analysis derives from the target organisation's financial statements and their accounting principles. These principles may not be consistent across the 4 researched organisations, and thus the comparisons may not be accurate (Faello, 2015). It should also be noted that financial ratios are based on historical data and as such provide a measurement at a fixed point in time only (Mott, 2005). The COVID-19 pandemic has heavily disrupted global markets and increased volatility, and as such, historical data may no longer be a reflection of the current economic environment.

3.6: Ethical Considerations

Ethics in research is a vital consideration which must be made to ensure no harm is caused, whether morally, ethically or otherwise in the conduct and participation of the research project. It is

suggested that 4 key areas to consider are privacy, consent, anonymity, and confidentiality (Hooley, Wellens & Marriott, 2012).

3.6.1: Privacy

It has been argued that the emergence of the internet has blurred previously established boundaries between public and private data. As such, it is the researcher's responsibility to consider which data are truly public, and which publicly available data should be treated as private. For example, views expressed online on personal social media accounts or blogs, whilst available, should not be treated as public data to use in research (Hooley, Wellens & Marriott, 2012). It would therefore not be ethical to target people listed as employees of certain organisations, based on this "private" information. To mitigate a breach of privacy in this manner, and to avoid voyeuristic accusation, effort has been made to disclose the researcher's intentions throughout the primary project.

3.6.2: Informed Consent

Informed consent requires an individual to be provided with and comprehend information regarding the research which is relevant to their participation. Then, based on the information received, they may voluntarily choose to participate. As the survey element of the research offers text-based information online, this may present difficulties for the researcher to confirm whether the nature of the study has been comprehended prior to receiving consent. To mitigate risks in this area, the researcher's contact information has been included in the preface of the survey allowing any queries to be addressed directly, or additional information to be provided on request. Each participant must click to confirm their consent and understanding, before access to the survey is given.

3.6.3: Anonymity & Confidentiality

The research has been designed to exclude a requirement for personal information. This will mitigate risks otherwise apparent in data storage and distribution. In this case, participant identities are fully anonymous, and no personal identifiers are collected or stored. Similarly, effort has been made to ensure confidentiality of responses in such a way that they cannot be related back to their author. To ensure such confidentiality, a thematic analysis of text-based answers will be used, rather than using direct quotes which may be traced back to their source.

3.7: Conclusion

This chapter has discussed the relevant research methodology applied during the course of this undertaking, with attention to the approaches, philosophies, strategies, and methods used and justification for their role in this project. Ethical considerations to instrument design have also been discussed. The following chapter will discuss the Data Analysis and findings of the primary research.

Chapter 4.0: Findings, Data Analysis & Discussion

4.1: Introduction

On the completion of the data gathering, both data sets were critically analysed. This chapter presents findings from the financial ratio analysis and survey research.

The findings are discussed in congruence with existing research considered in the Literature Review, to either support or conflict with existing work within this area.

4.2: Financial Ratios

Financial ratios are a means to measure organisational performance. Such indicators are historical and provide a measurement at a fixed point in time (Mott, 2005). The financial ratio analysis enables a critical and comparative analysis of several historical points surrounding the COVID-19 pandemic i.e., 2019-2021. The aim is to apply the findings with intention to improve business decisions concerning strategy and management (Babalola & Abiola, 2013).

The ratios used represent key indicators of financial performance classified as: investment, profitability, efficiency and liquidity. Investment ratios consider the relationship between an amount invested, and the return those investments achieve. Profitability ratios evaluate the ability to generate earnings relative to costs, assets, and revenue. Efficiency ratios consider a business's ability to use its assets to generate income, and liquidity ratios measure an organisation's ability to pay debt (Bragg, 2014). An analysis combining these key performance indicators will provide an understanding of the financial positioning of the UK Life Insurance leaders.

4.2.1 Financial Ratios over 3 years (2019 to 2021)

The figure below shows the financial ratios calculated from the Financial Statements published in 2020 and 2021. Full calculations, formulas and statements can be found in APPENDIX 3-11.

Figure 8: Financial Ratios 2019-2022

Financial Ratio Analysis 2019-2021 Leading UK Life Insurance Firms			
Investment Ratios			
	2019	2020	2021
Share Price			
Aviva (£)	3.94	2.91	4.04
AIG (\$)	51.33	37.86	56.9
Zurich (CHF)	397.1	373.5	400.4
Lloyds (£)	0.63	0.36	0.48
Dividend Cover			
Aviva	4.12	3.34	2.27
AIG	11.53	-21.50	33.81
Zurich	1.47	1.29	1.59
Lloyds	1.07	0.00	3.75
P/E Ratio			

Aviva	6.18	4.15	8.06
AIG	13.91	-5.50	5.26
Zurich	14.18	14.45	11.44
Lloyds	17.86	30.37	6.37
Dividend per Share			
Aviva	0.155	0.210	0.221
AIG	0.32	0.32	0.32
Zurich	19	20	22
Lloyds	0.03	0	0.02
Dividend Yield Ratio			
Aviva	3.93	7.22	5.46
AIG	0.62	0.85	0.56
Zurich	4.78	5.35	5.49
Lloyds	5.22	0.00	4.18
Earnings per Share (EPS)			
Aviva (£)	0.638	0.702	0.501
AIG (\$)	3.69	-6.88	10.82
Zurich (CHF)	28.01	25.85	34.99

Lloyds (£)	0.035	0.012	0.075
Profitability Ratios			
	2019	2020	2021
Gross Profit Margin			
Aviva	59.16	40.55	67.47
AIG	41.23	35.00	46.32
Zurich	61.60	52.98	59.52
Lloyds	70.09	66.59	71.16
Net Profit Margin			
Aviva	3.92	6.25	6.14
AIG	8.38	-13.33	19.06
Zurich	6.11	6.90	7.76
Lloyds	7.10	4.76	15.72
Efficiency Ratios			
	2019	2020	2021
Return on Assets (ROA)			
Aviva	0.87	0.57	0.24

AIG	2.37	-3.14	5.11
Zurich	1.55	1.27	1.74
Lloyds	0.62	0.17	0.92
Return on Investment (ROI)			
Aviva	14.25	14.15	10.47
AIG	6.18	-8.67	14.40
Zurich	11.99	10.22	13.85
Lloyds	6.29	2.81	11.07
Liquidity Ratio			
	2019	2020	2021
Current Ratio			
Aviva	1.49	1.21	1.00
AIG	0.17	0.25	0.25
Zurich	1.8	1.61	1.42
Lloyds	0.61	0.72	0.56

4.3: Ratio Analysis

4.3.1: Investment Ratios

Investment ratios are used to consider the relationships between value invested, and profits generated by that investment. These ratios are calculated based on stock information and shareholder returns, which, in an efficient market, should accurately represent performance (Marr, 2012, Fama, 1970).

Dividend yield ratios show increasing trends from 2019-2020, likely a result of decreasing share prices in the economic decline during COVID-19. The exception was Lloyds, whose dividend yield fell to 0 in 2020 due to a specific request of the Prudential Regulation Authority (PRA) to pay no dividends, in line with all major UK listed banks (Lloyds Banking Group, 2020). AIG and Zurich achieved a consistent dividend yield from 2019-2021, with minor fluctuations in 2020, despite drops in share prices of -26.24% (AIG) and -5.94% (Zurich).

In 2020, the FTSE100 market suffered the steepest drop recorded since 1987 of -24.80% following the initial COVID-19 announcement from the World Health Organisation (Wearden, 2020). The decreasing share prices suffered in the UK Life Insurance sector appear consistent with these market fluctuations.

Since their initial fall in 2020, share prices have improved year-on-year by 38.83% (Aviva), 50.29% (AIG), 7.20% (Zurich) and 33.34% (Lloyds), with increasing P/E ratios for Aviva and AIG of 8.06 and 5.26 respectively. Though trending upwards, P/E ratios continue to underperform sector average of 18.06 in 2021 (UKInvesting.com, 2022). Zurich and Lloyds also show decreasing P/E ratios from 2020 to 2021 as EPS and share prices continue to fluctuate.

As a strategic repositioning exercise, Aviva's 2021 targets included improvements to their financial positioning and dividend return by announcing a £4.75 billion capital return to shareholders (Aviva

PLC, 2021). This is reflected in their increasing Dividends per Share from 0.210 (2020) to 0.221 (2021). However, Dividend Cover has produced decreasing trends, falling from 4.12 (2019) to 2.27 (2021) indicating poorer investment opportunities and risks of dividend cuts in the future.

Similarly, AIG shows a decline in dividend cover (11.53 in 2019 to -21.50 in 2020) which may be indicative of poor profitability during COVID-19, as reflected in their poor net profit margins (American International Group Inc, 2020). This ratio shows drastic improvements in 2021 to 33.81, indicating a wealth of earnings generated to serve dividends. Dividend Yield also remained consistent during times of decreasing profits, implying sufficient liquidity to maintain shareholder return. Dividend Cover ratios for Zurich and Lloyds remained mostly consistent over the 3-year period, though ratios for Lloyds dropped to 0 in 2020 as no dividends were paid.

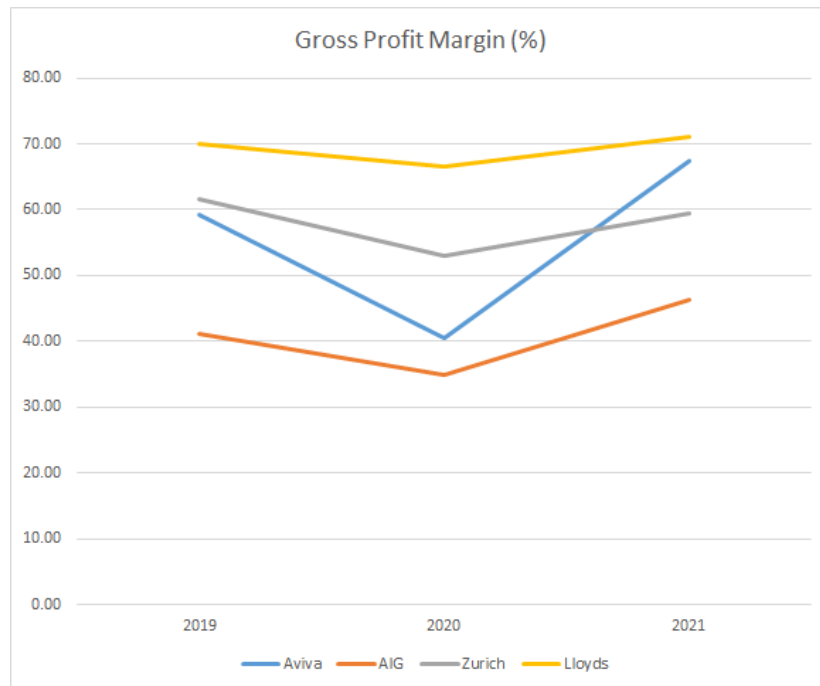
EPS ratios for Lloyds showed minor decreases during 2020 with a gradual increase in 2021, in line with market movements in the pandemic. Aviva also faced decreasing EPS in 2020, likely caused by reductions to profit of £870m (Aviva PLC, 2020). A share buyback of approximately 162-million shares aimed to improve Aviva's 2021 financial position, yet EPS figures continue to fall following this transaction as a result of falling profits.

AIG also experienced significant decreases in EPS from 3.69 to -6.88 (2019 to 2020) attributable to their capital losses in 2020. Similar trends can be identified within Zurich, whose EPS also fell in 2020 attributable to losses in revenue.

The findings are consistent with previous research in this area, suggesting declining shareholder return throughout the pandemic, and strategic repositioning of core business practices to mitigate risk and improve returns (Babuna *et al.*, 2020, Harris, Yelowitz & Courtemanche, 2021)

4.3.2: Profitability Ratios

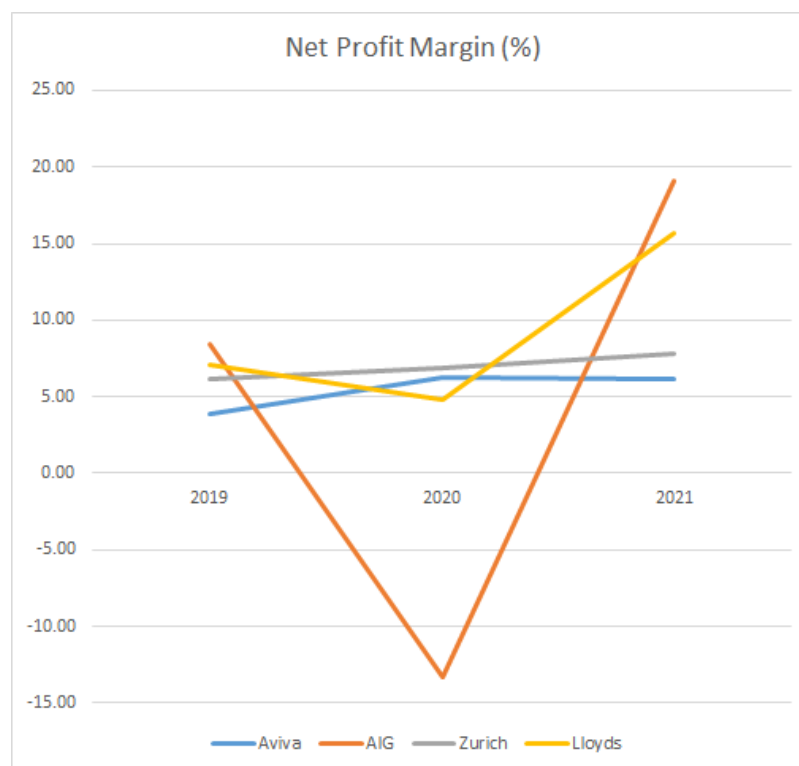
Figure 9: Gross Profit Margin (%)



Gross profit margins provide a representation of financial health, considering costs of goods sold (COGS) in relation to revenue achieved. The figure above indicates consistent movement across the sector, showing decreases in 2020 and increases in 2021. Such data demonstrates increasing claims and insurance liabilities payable during COVID-19, and substantial decreases in income during this time. Aviva produces the most volatile margins as revenues decline in 2021 whilst COGS remain consistent (£27,762m in 2019, £27,685m in 2020). Sharp increases in gross profit margins in 2021 are likely attributable to significant reductions to COGS (£10,794m in 2021) and revenue (-28.74% year-on-year 2020-2021), a result of disposals in France, Poland, Italy and Turkey (Aviva PLC, 2021). Fluctuations within the sector sample appear temporary, in line with overall market behaviour during COVID-19.

The findings support previous research claims conducted by Farooq, Nasir, and Bilal (2021), who concluded that volatile P/E ratios and dividend yields would affect level of abnormal returns within such organisations, as well as Babuna *et al.* (2020) who theorised that profits would decline in 2020 as a result of increasing claims and reduced premiums.

Figure 10: Net Profit Margins (%)



The UK insurance market fell 8.8% during 2020, following the WHO announcement of the COVID-19 pandemic (Makalesi, 2021). Despite this, Aviva and Zurich outperformed the market average, achieving year-on-year increasing net profit margins during 2020: Aviva’s net profits increased from 3.92% to 6.25%, whilst Zurich’s profits increased from 6.11% to 6.90%. Such data supports findings from Makda (2022) confirming an increasing demand for Life Insurance from 2020-2021.

AIG's 2020 net profit margins suffered the most, likely a result of realised capital losses in the sale of divested operations (i.e., the sale of majority shares in Fortitude holdings in June 2020), a net loss of -£8,525m (American International Group Inc, 2020).

In the case of Aviva, disposals in Singapore, Indonesia and Hong Kong took place throughout 2020, aligned with their strategic goals to refocus on core markets (Aviva PLC, 2020). Profits of £868m achieved from discontinued operations contributed to net profit increases in 2019-2020. Further disposals in 2021 generated approximately 1.3 billion euros (Actuarial Post, 2021, Smith, 2021). Decreases in 2021 are attributable to increased expenses relating to increasing claims surrounding COVID-19 and Capital Gains Tax liabilities from chargeable gains on discontinued operations.

Further strategic changes are confirmed in 2021 Statements, relating to effective transition to remote, hybrid working, inclusive of significant investment into digitalisation of consumer journeys and processes, and employee training facilities (Aviva PLC, 2021). Similarly, an extension of their COVID-19 pledge, which returns any differences in claims costs to PMI customers, is reflected in claims expenses over £12,493m (2021). The findings show that demand for such cover is increasing, as supported by Preda, Popescu, and Driga (2021) who claim a necessity for innovation within the sector to maintain profit margins.

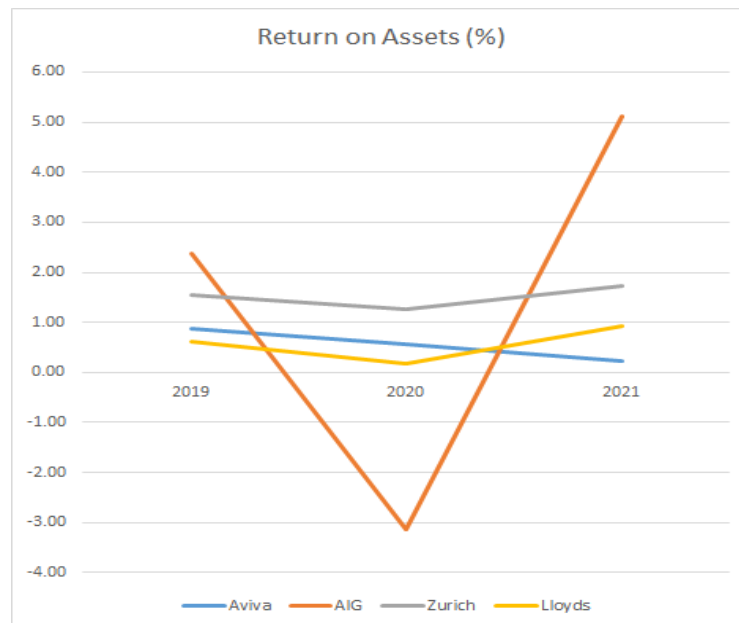
Lloyds' net profit margins demonstrate high volatility relative to its competitors. Lloyds' profits declined substantially (-53.86% from 2019 to 2020), then achieved a steep increase in 2021 (+324.30% from 2020 to 2021). This increase is attributable to an underlying impairment credit of £1,207million (2021), compared to the impairment charge of £4,247 million stated in 2020 as a result of projected losses resulting from the pandemic (Lloyds Banking Group, 2020).

As a UK banking leader, Lloyds achieved mortgage and business banking growth, though offset by lower unsecured balances due to reduced levels of activity and demand during COVID-19. Strategic comments confirm extensive loans (£12b in loans and 1.3million payment holidays awarded in 2020) and donations (£25.5m to charitable foundations). This is offset by savings in office space with 50,000 employees working from home throughout 2020 and 2021 (Lloyds Banking Group, 2021).

Investments across 4 strategic targets are further reflected in decreasing 2020 profits, inclusive of digitalisation of processes, ongoing working from home provision and employee training totalling £2.8b. Such strategic positioning aligns with research findings from Veglianti (2021), who suggests cost-saving implications of homeworking, and an increase of the importance of effective, skilful employees.

4.3.3: Efficiency Ratios

Two key indicators of efficiency are an organisations' return on assets (ROA), and its return on investment (ROI). The ROA offers a metric on how efficiently assets are used in profit generation (Bull, 2007), whilst ROI is used to determine the return per pound invested. This is determined by calculating an organisation's net profits relative to its net worth.

Figure 11: Return on Assets (%)

This finding shows overall trends of decreasing ROA between 2019 and 2020, consistent with declining income levels as the economic depression began. ROA ratios for Zurich and Lloyds show signs of recovery in 2021, increasing from 1.27 to 1.74, and 0.17 to 0.92 respectively, as UK markets began recovery.

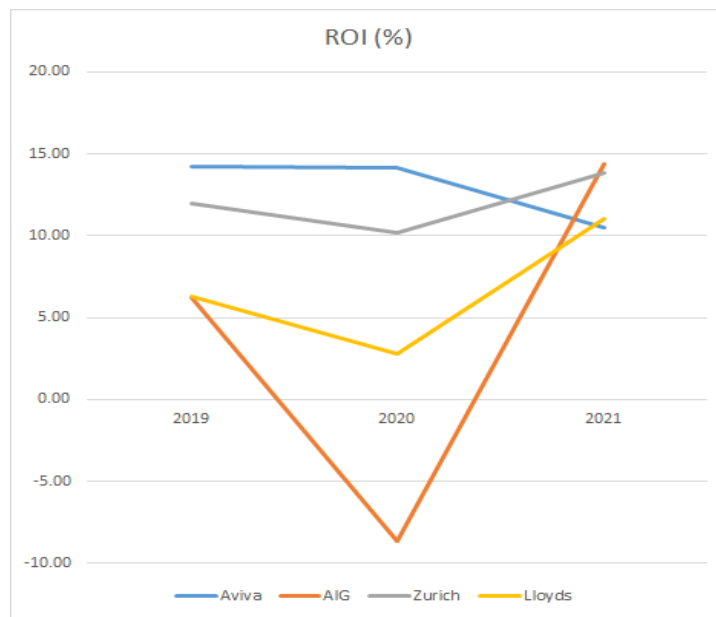
Aviva's ROA continues to decline in 2021 as a result of decreasing revenue. This is attributable to disposals made in France, Poland, Italy, and Turkey during the first half of 2021 (Aviva PLC, 2021).

ROA for AIG shows high volatility, likely a result of the -\$5,973m loss suffered in 2020. This capital loss is attributable to the sale of divested operations i.e., the sale of majority shares in Fortitude holdings in June 2020, resulting in a realised capital loss of -\$2,238m. Furthermore, AIG reported increasing claim volume across US markets, decreasing demand for travel insurance business, increasing legal costs in coverage disputes reading COVID-19 related losses, and a \$2m investment into a Compassionate Colleagues fund designed to assist employees through financial

hardships resulting from the pandemic (American International Group Inc, 2020). These expenses are reflected in a 13.47% (\$61,645m) increase of total liabilities from 2019 to 2020.

Capital losses reported by AIG are also reflected in the ROI as seen in the figure below:

Figure 12: Return on Investment (%)



The figure shows ROI movement consistent with findings from Pulawska (2021) and overall UK markets, demonstrating negative impacts of COVID-19 in 2020, before recovery in 2021. Increases in ROI for AIG, Zurich, and Lloyds during 2021 imply improving net profits. Increasing ROI in 2021 may be indicative of effective financial strategy, as suggested by Tiffin (2014) who states that such strategy focuses its objectives on ROI metrics, as this commonly aligns with overall business objectives.

Aviva’s continued decline in 2021 is attributable to substantial decreases in net worth (-£1,106m), resulting from disposals made. Whilst liabilities also decreased during this time (-£120,277m in

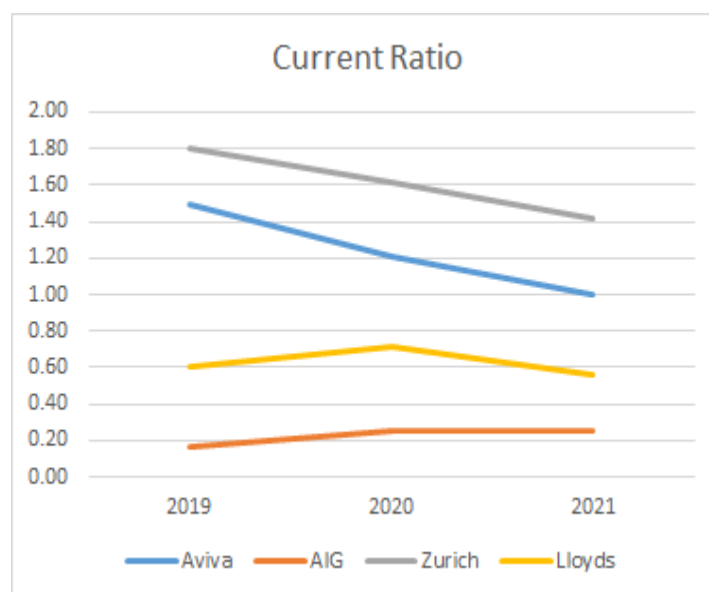
2020-2021), value of total assets fell at a higher amount (-£121,383m in 2020-2021) due to economic conditions surrounding investment property, financial investments and assets held for sale.

Similarly, ROI ratios for AIG, whilst moving consistently with overall UK markets, showed significant volatility. This is attributable to net losses of -\$5,829-million suffered in 2020, followed by profits of \$9,923 million in 2021. These figures are attributable to the sale of Fortitude Re. holdings, resulting in losses on divestitures of -\$8,525m in 2020, and gains of \$3,044m in 2021 (American International Group Inc, 2021).

4.3.4: Liquidity Ratios

Liquidity ratios demonstrate an organisation’s ability to pay current liabilities with its current assets. It is commonly believed that a ratio above 1 would be considered positive (Walsh, 2010).

Figure 13: Current Ratio



The data suggest volatile trends for the UK Insurance market leaders. Aviva's current ratios decline year-on-year, in line with significant reductions in current assets i.e. cash assets -£2,624m in 2019-2020 and -£4,415m in 2020-2021. Meanwhile, current liabilities increase by £2,529m in 2020, before falling -£8,058m the following year, attributable to capital disposals and tax implications thereof. The values remain above 1 throughout 2019-2021 and thus suggest sufficient assets exist to cover short-term debts.

Similarly, current ratios for Zurich show falling trends 2019-2021. This is due to a significant increase in short term debt of +\$1454m in 2019-2020 and +\$1,476m in 2020-2021, and tax liabilities of +\$618m from 2019 to 2021. Values of current assets increased during this time; however, this increase did not offset the rising liabilities. These findings are consistent with research from Pulawska (2021) and Carannante *et al.* (2022) who suggest significant attention into risk mitigation, solvency and mortality risk is required due to negative effects of the pandemic on liquidity metrics.

Contrary to its competitors, AIG's current ratio increased from 0.17 to 0.25 in 2019-2020, where it remained for the following year as both current assets and current liabilities continue to rise. Values below 1 indicate poor liquidity relative to debts which may become payable; however, increasing trends suggest improvement. Current ratios for Lloyds also showed increases in 2020. This is due to increasing cash assets in banks, achieving an increase of £18,127m in 2019-2020, likely a result of reduced spending throughout the COVID-19 lockdown. Whilst cash assets remained elevated during 2021, a huge increase in Insurance Contract Liabilities (+4.14% in 2020 and +6.34% in 2021) resulted from additional claims during the pandemic. This is reflected in the declining current ratio for 2021, implying a loss of liquidity and cash flow in this financial year.

4.4: Survey Analysis

The full survey can be found in APPENDIX 1.

The information gathered from the online survey was analysed using standard descriptive statistical methods for quantitative data, and a content analysis method for the qualitative portion. This method aims to quantify certain words or concepts in text-based answers, allowing the qualitative input to translate into quantitative data (Krippendorff, 2004).

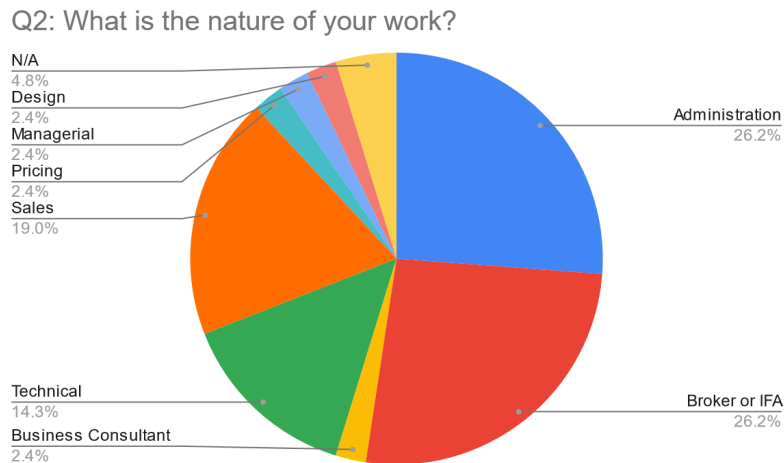
The use of Google Forms software in the development of the survey allowed the data to be reviewed using the website's function. The results from closed questions were displayed using a variety of graphs, and text-answer questions were analysed using content analysis. The full analysis can be found in APPENDIX 12.

4.4.1: Results from Multiple Choice Questions

The online survey, published on 14 December 2022 and closed 1st February 2023, gathered 63 responses. Of these, 21 participants responded "no" to the exclusionary question 1 "Have you worked in or with UK Life Insurance firms during COVID-19? (i.e. 2020-2022)?", which removes their contribution from the overall results. 42 viable responses remained, the results of which are categorised based on key themes identified during the literature review.

The sample demographic remains mostly unknown as no personal information was collected during the survey process. However, participants were asked to consider the nature of their work. The response is as follows:

Figure 14: Response to "What is the Nature of your work?"



The data show a broad spread of responsibilities within the sample, with most responses from Administration, Sales, Technical and Broker participants, and some participation in managerial, consultancy and other roles.

Responses to Working from Home/Digitalisation Questions

Previous research identified working from home and digitalisation as key global changes following the emergence of COVID-19. The survey findings support this notion:

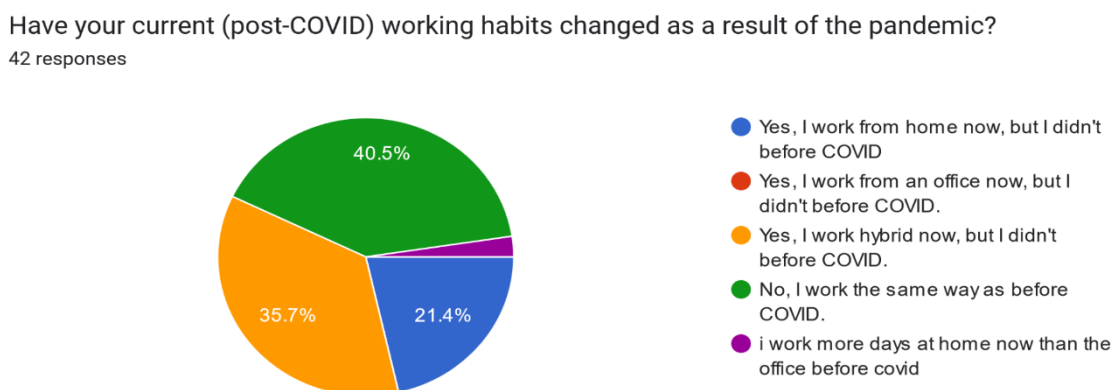
Figure 15: Response to “Have you worked from home during COVID?”

Have you worked from home during COVID?
42 responses



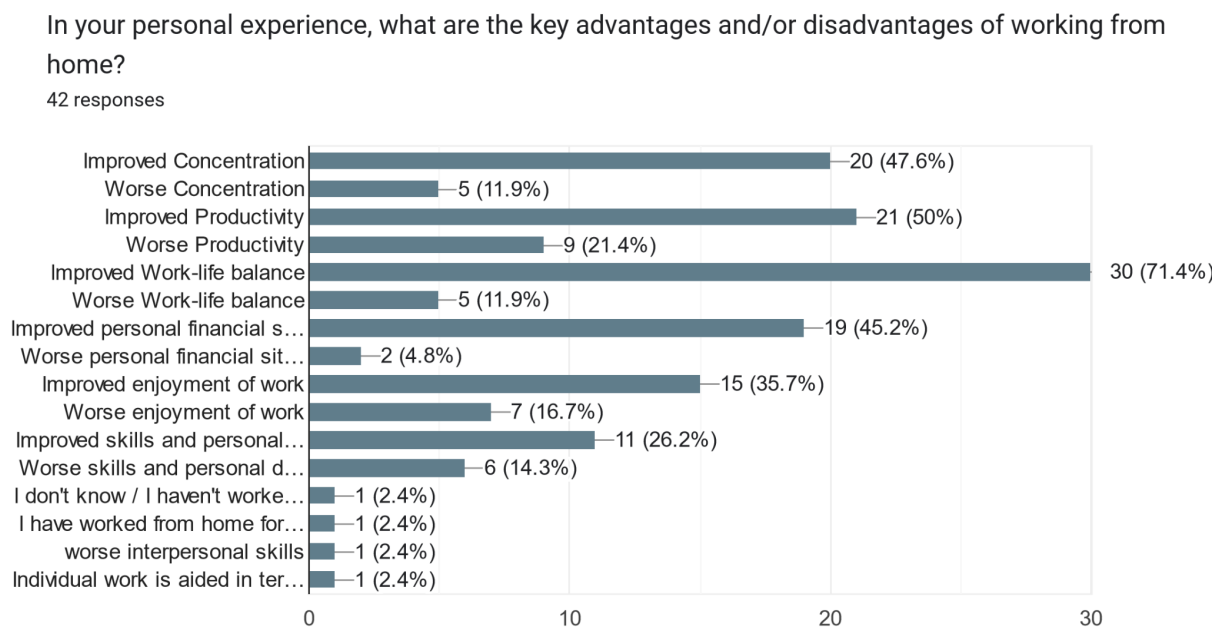
Of the 42 viable respondents, 90.5% reported that they had worked from home full-time, or assumed a hybrid model during the pandemic. This finding is consistent with data collected by the Office of National Statistics (2022) reporting half of the UK adult population transitioned to hybrid or remote work. Similarly, reported figures in financial statements of Aviva (2021) and Lloyds (2021) suggest transitions of 50,000+ employees to remote working arrangements during 2020 and 2021, many of whom kept these changes after global restrictions ended.

Figure 16: Response to “Have your current (post-COVID) working habits changed as a result of the pandemic?”



Respondents were also asked to consider their current working habits. 59.5% of participants reported permanent changes since the pandemic restrictions eased, the majority of which have transitioned to hybrid or remote working. Only 40.5% reported that they have resumed working as before. Such findings align with prior research conducted by Smite *et al.* (2022) who reported increasing demand for flexibility and hybrid work due to its significant benefits. Consistent with findings from existing research by the Office of National Statistics (2022) and Sharfuddin (2020), the survey data also suggests that the advantages of working from home vastly outweigh the disadvantages.

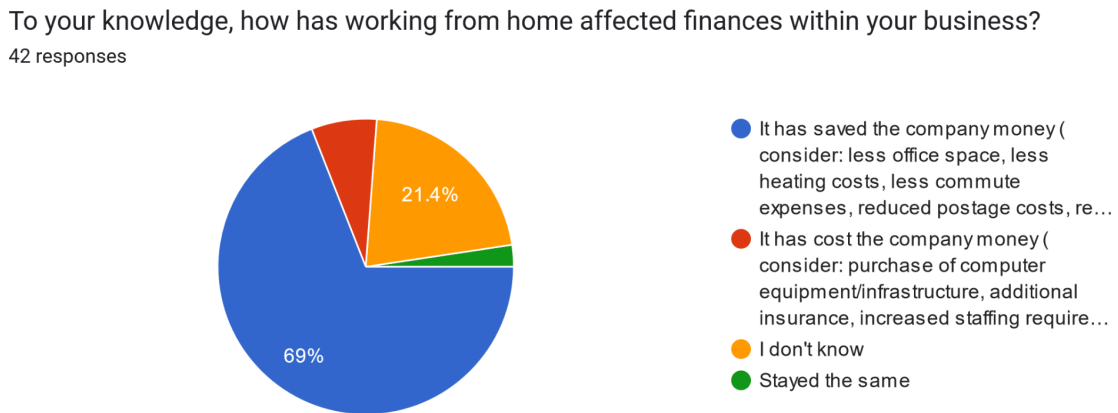
Figure 17: Response to “In your personal experience, what are the key advantages and/or disadvantages of working from home?”



The survey identifies 30 participants experienced an improved work-life balance, whilst only 5 felt this had worsened; 20 participants reported improved concentration, and 21 reported improved productivity. Only 5 reported worse concentration and 9 reported worse productivity. Similarly, 19 participants felt an improvement to their personal financial situations, whereas only 2 felt this had worsened.

These findings align with conclusions drawn by Sharfuddin (2020) who theorised that commuting costs may be reduced as a result of working from home, whilst employee mental wellbeing and productivity increased. He also suggests that administration, storage, heating and insurance expenses may be reduced through hybrid work, thus presenting a cost-saving opportunity for organisations. This conclusion, again, is mirrored in the findings as follows:

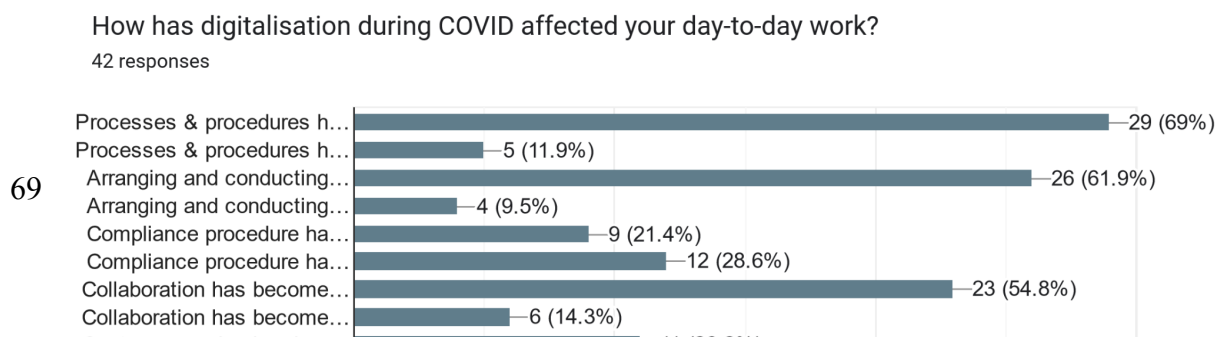
Figure 18: Response to “To your knowledge, how has working from home affected finances within your business?”



The figure above shows 69% of participants reported that their business has saved money as a result of working from home. 21.4% did not know the answer, though only 2.4% reported that expenses had increased as a result. Data from the Office of National Statistics (2022) and research from Veglianti (2021) further supports this claim, concluding cost savings in fuel expenses, office space rental and storage as a result of COVID-19 restrictions and increased digitalisation.

The survey further demonstrates positive responses to increasing levels of digitalisations, consistent with existing research from Polinkevych (2022), whose findings showed an increase in chatbots and digital processes as effective strategic change. The chart below records the effects of digitalisation on survey participants.

Figure 19: Response to “How has digitalisation during COVID affected your day-to-day work?”



The responses suggest that digitalisation had mostly positive effects on processes and procedures (69%), technology skills (64.3%), arranging and conducting meetings (61.9%), collaboration (54.8%) and various others. This is consistent with research by Vegalianti (2021), who recorded that over 40% of managers considered smart-working a positive influence on collaboration and communications, and 60% confirmed that they no longer consider a fully office-based approach adequate. However, the survey results show that compliance processes and customer service procedures suffered as a result of digitalisation, which may be indicative of a necessity for innovation and procedural development in this area, as suggested in existing research by Kajwang (2022).

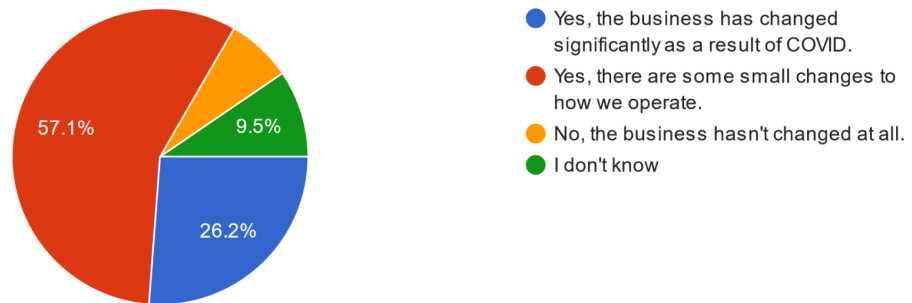
Responses to Strategic and Organisational Change

Many existing studies confirm long-term strategic changes as a result of increases in demand, policy innovation, smart-working alternatives, and talent management procedures during the pandemic (Preda, Popescu & Driga, 2021, Makda, 2022, Harris, Yelowitz & Courtemanche, 2021). This notion was also reflected in the findings of the survey research as indicated below:

Figure 20: Response to “Are you aware of any strategic changes your business has made since the end of COVID restrictions?”

Are you aware of any strategic changes your business has made since the end of COVID restrictions?

42 responses

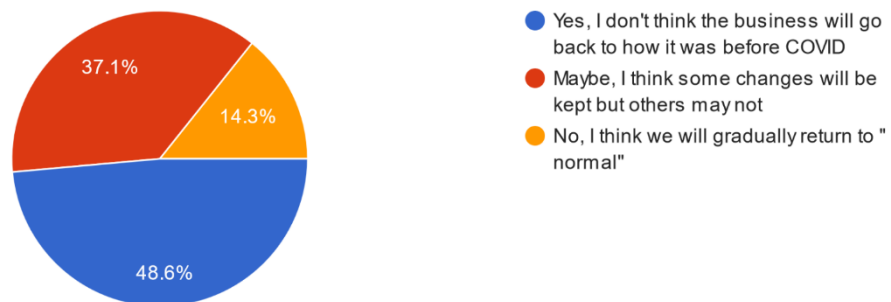


The graph above shows that 83.3% of participants report that their organisations have undergone strategic changes following the end of COVID-19 restrictions. Those 83.3% were then asked if they felt these changes may become permanent within their business model.

Figure 21: Response to “In your opinion, will the changes to your business implemented during COVID become permanent?”

In your opinion, will the changes to your business implemented during COVID become permanent?

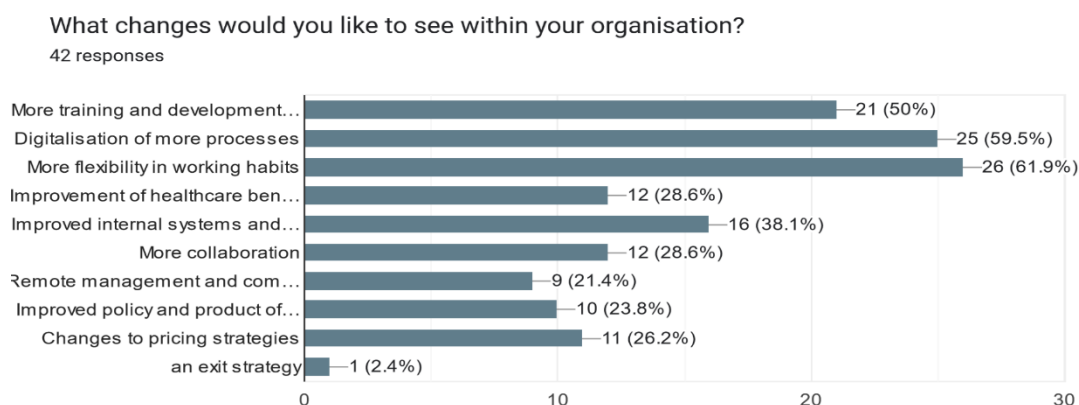
35 responses



It was recorded that 85.7% believe the changes will be, at least partially, implemented into a permanent business model. These findings are consistent with key researchers such as Preda,

Popescu, and Driga (2021) who reported a paradigm shift to digital working, increasing demand for insurance and process innovation. Furthermore, Polinkevych (2022) also identified long-term strategic opportunities in digitalisation of processes and automation within the Life Insurance sector, and Carannante *et al.* (2022) identified significant strategic changes to risk mitigation practices, employee wellbeing and healthcare.

Figure 22: Response to “What changes would you like to see within your organisation?”



When asked which changes would be desired in the UK Life Insurance sector, more than 50% of participants felt that training and development, digitalisation of more processes and flexible working habits would be beneficial. This finding is consistent with research by Veglianti (2021) suggesting smart-working and digital collaboration as a future direction within this sector. In congruence with data from Mutembei (2022) and Kajwang (2022), the findings demonstrate an increasing demand for training and development (50% of respondents) opportunities for employees seeking to contribute to organisational growth. This finding confirms changes in demand from a key stakeholder group within Life Insurance organisations, which may become a catalyst for strategic change and as such improve performance (Dossi & Patelli, 2010, Johnson, Scholes & Whittington, 2009).

4.4.2: Text-Based Content Analysis

Coding

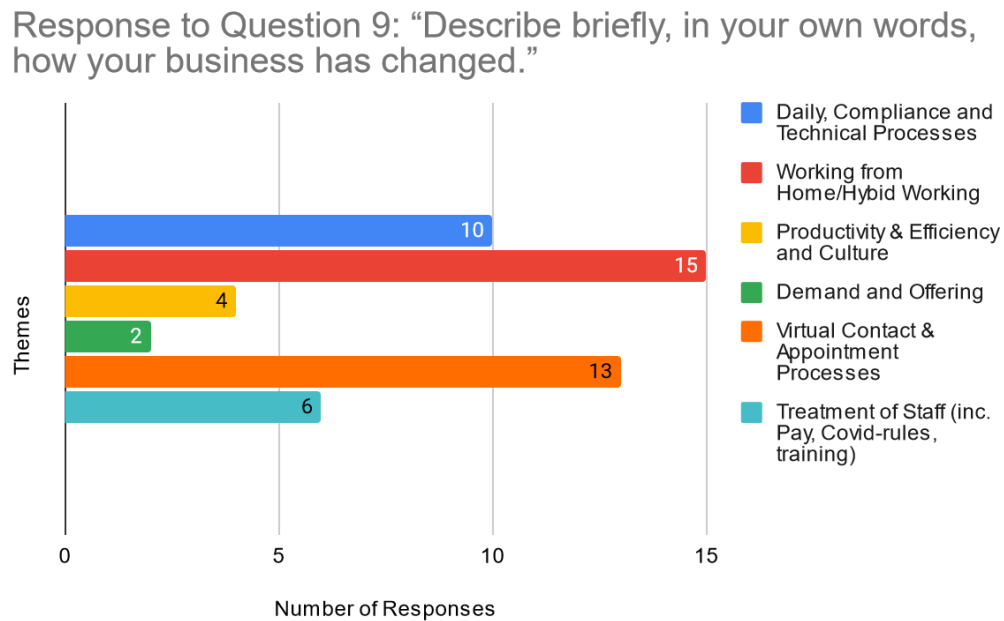
The text-based responses were evaluated and analysed multiple times to ensure a full understanding of the information and opinions supplied by participants. The coding process involved the identification of key words or concepts, such as “working from home”, “zoom meetings” etc. to form several different categories, as identified within the literature review. When a response did not fit a previously identified theme, one was added to ensure each view was adequately represented, or a category was amended to include a broader concept. For example, a theme initially coded as “Convenience of Virtual Meetings” was re-coded as “Accessibility of Meetings” to allow inclusion of responses concerning international calls/meetings and requirements for staff with physical disability. Each response was read, and a point was awarded to each category addressed within that response. Some responses were unclear or non-specific and were therefore excluded from the analysis. The information collected was then mapped into a table to create a quantitative data set of key themes (Krippendorff, 2004).

Such data analysis is interpretive by nature, and as such the interpretation and understanding of views by the researcher may vary if analysed by someone else. To mitigate bias, the researcher’s themes and categorisation is heavily influenced by themes consistent with existing research contained within the literature review (Creswell & Creswell, 2017).

Results

The content analysis of the two text-based questions resulted in several key themes consistent with existing research in this sector. The main themes and number of responses addressing each theme is reflected in the results below.

Figure 23: Response to “Describe briefly, in your own words, how your business has changed.”

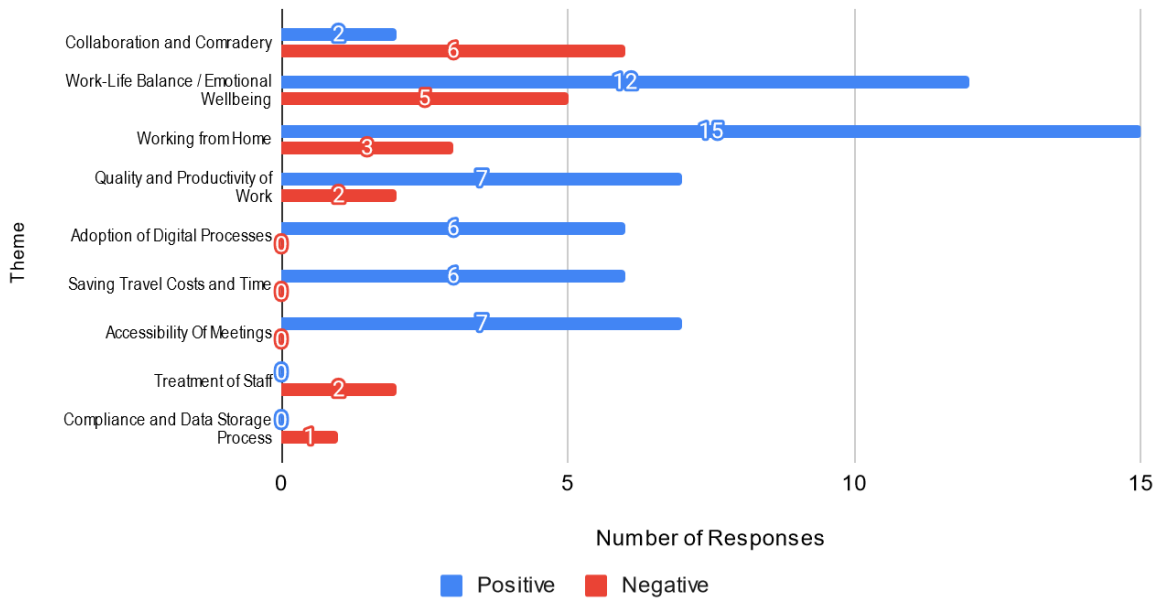


The responses indicate that key changes to businesses within this sector occurred in the emergence of hybrid-working, virtual meetings and changes to daily compliance and technical processes. This finding is consistent with the key themes researched during the literature review. It supports Kajwang (2022) in their findings of increased digitalisation, and a significant movement to automation, remote and digital working and procedural development following the end of the pandemic.

The respondents were asked to consider key changes to their own jobs specifically, and whether the changes were positive or negative. The feedback can be seen below:

Figure 24: Response to “In your own words, what changes caused by the COVID-19 pandemic affected you and your job the most, and were these positive or negative?”

Response to Question 12: "In your own words, what changes caused by the COVID-19 pandemic affected you and your job the most, and were these positive or negative?"



The findings above suggest that the majority of changes experienced during COVID-19 benefited employees, especially in areas concerning work-life balance/emotional wellbeing, working from home, accessibility and productivity. This is consistent with research by Veglianti (2021) and Polinkevych (2022) who concluded that the pandemic inspired change to capabilities linked to technology and remote work, and as such, is already beginning to appear in permanent organisational policy.

The findings indicate that areas such as collaboration and comradery, treatment of staff, compliance, and data storage were negatively affected as a result of COVID-19. Such findings were also indicated by Smite *et al.* (2022) who identified home offices as best for concentration and productivity, and office-based work more effective for collaboration. Smite *et al.* concludes that fully remote work remains inferior to a hybrid-working model, a notion supported within the findings above.

4.5: Conclusion

The data collection and analysis of both elements of this research revealed common key themes within the UK Life Insurance sector, consistent with various previous research studies in this area. These themes include fluctuating financial performance indicators during economic volatility, and notable strategic changes in terms of organisational growth, focus, digitalisation, offering, and changing stakeholder demand. Congruent with prior research in this topic, a significant change to organisational strategy has been discussed.

The following chapter aims to further discuss the implications of such findings, whilst offering recommendation for strategic financial development in the new-era business model.

5.0: Conclusions and Recommendations

5.1: Introduction

Upon completion of the analyses, the findings demonstrate a sector-wide strategic shift resulting from COVID-19. In particular, common themes were identified concerning digitalisation, autonomy, product innovation, stakeholder management and flexibility. This chapter aims to present the conclusions of this project with consideration to limitations, the recommendations resulting from the findings, and the contribution made within this sector.

5.2: Achievement of Research Objectives

The aim of this dissertation was to determine the effects of the COVID-19 pandemic on the financial strategy of UK Life Insurance firms to advise on strategic opportunities in the future.

To achieve this aim, the following objectives were addressed:

1. Analyse the financial strategy and decision-making of the leading UK Insurance providers during the COVID-19 era using relevant financial statements.
2. Analyse the perceived effects of the COVID-19 pandemic on employees working with this sector.
3. Discuss to what extent the identified changes may influence financial strategy to determine key opportunities for post-COVID organisational growth.

5.3: Main Conclusions

The following 4 sections conclude the findings of the primary research.

5.3.1: COVID-Driven Strategic Change

Congruent with existing research, the findings of this project show clear progression of organisational strategy and opportunity for innovation and growth following COVID-19. Financial data show declining key performance indicators in 2020, followed by significant changes to business models, inclusive of various disposals of operations across the sector during and following the pandemic. Further changes follow regarding risk and mortality strategies and product offerings across the sector, before performance indicators begin to recover in 2021 as businesses seek to strategically reposition in times of increasing demand. Main complications were identified in poor solvency of Life Insurers, limiting their ability to adapt to increasing demand in a digital and dynamic environment.

Survey data indicated expectation for COVID-driven strategic changes to become permanent, and existing research within this sector supports this. It is concluded that the pandemic has inspired strategic change and presented an opportunity for innovation as organisations begin to adapt and develop within their new landscape.

5.3.2: Flexibility, Digitalisation & Smart Working

The project identifies that significant COVID-driven changes lie within technological advancements resulting from the pandemic. The financial and survey findings confirm both financial and non-financial benefits linked to smart-working capabilities, including cost-savings, improved wellbeing, and increasing productivity. Increased demand for flexibility is mildly offset by complications in compliance procedure and isolation and collaboration as demonstrated in the survey. Financial reports confirm substantial investment into technological developments within the UK Life Insurance Sector has already begun. In line with existing research, the project concludes that opportunities lie with a hybrid-working model, to maximise benefits for both employer and

employee, whilst mitigating complications in compliance and regulatory processes, and collaboration.

5.3.3: Product Innovation & Automation

As demonstrated in prior research, since the pandemic, the demand for life cover, COVID-inclusive cover, and accessible products has increased.

The financial study confirms a necessity for innovation. Increasing legal and claims expenditure during 2020, resulting from disputes and claims on existing rigid cover, provide an opportunity for new COVID-inclusive products to emerge. The project further revealed notable investments into technological development of processes within the UK Life Insurance sector since 2020, inclusive of digitalising various procedures, the emergence of chatbots, remote customer service, and online customer journeys. Similarly, the survey findings identify digitalisation of processes and accessibility of meetings as major benefits of the pandemic. The project concludes that investment and development of these areas is improving financial and non-financial performance indicators since COVID-19.

5.3.4: Stakeholder Management

Increasing demand for digitalisation incidentally increases demand for skilled employees. The shift to digitalisation has potential to increase the bargaining power of this stakeholder group in the future; a change already emerging since 2021. The financial study confirms significant investment into training and development opportunities, smart working facilitation and employee wellbeing, whilst the survey, consistent with existing research across the sector, confirmed employee demand for flexibility, digitalisation and opportunity for progression and development.

It is concluded that effective stakeholder management will likely become a key consideration for financial strategists in the future, ensuring adequate investment and development of talent to achieve organisational success.

5.4: Recommendations

5.4.1: Strategic Review

The emergence of COVID-19 has catalysed a paradigm-shift to digital, adaptive, and flexible business. It is recommended that Life Insurance businesses undergo strategic review, to reposition and redefine strategic goalposts in light of opportunities for growth presented by the pandemic.

Consideration should especially be given to solvency capabilities and readiness to quickly change to ensure that adaptation is an option during increasing customer demand.

5.4.2: Hybrid Working

Full homeworking during COVID-19 restrictions within the UK Life Insurance sector has had both advantageous and disadvantageous results for employees and organisations. It is recommended that businesses explore cost-saving opportunities in a hybrid workforce. Investment into flexible work could increase productivity, reduce expenses concerning office space provision, commuting and storage, and develop employee talent and their wellbeing. Key disadvantages of homeworking were identified as lack of collaboration and comradery, and difficulties regarding compliance procedures. It is suggested that a hybrid business model will mitigate these disadvantages, and provide a productive, dynamic, and accessible business environment.

5.4.3: Product and Policy Innovation

New opportunities regarding innovation and development of products should be explored. The pandemic has highlighted the rigidity of existing cover, as well as shortfalls in procedure, claiming

and risk projection strategies. Demands from both workforce and customers have changed in light of the pandemic, and it is vital for insurers to develop product offerings to match. Organisations should consider accessible, pandemic-inclusive policy offerings, with consideration to new strategies for pricing, risk and mortality projection. Technological advancements further provide opportunity for accessibility regarding application and claims procedures and customer support. It is suggested that such development may provide an advantage in times of increasing demand for protection and digitalisation.

5.4.4: Stakeholder Development

Consideration should be given to the stakeholder management within Life Insurance organisations. As bargaining power of employees increases, businesses should ensure this stakeholder group is developed, in terms of recruitment, training, and reward strategies. Regular monitoring of non-financial performance indicators is recommended, ensuring that changing employee demand is represented in development of financial strategies. Investment into training and development opportunities may increase employee satisfaction and value, whilst securing an effective asset in organisational growth.

5.5: Contribution

This project contributes to the understanding of financial strategy within the UK Life Insurance sector throughout the COVID-19 pandemic and discusses opportunities for growth which have emerged as a result.

5.6: Limitations

A major constraint in the undertaking of this project was to ensure adequate representation of the sector in both the financial analysis and the survey. In particular, survey participation posed a

problem, due to the timing of the research and unforeseen limitations concerning restriction and regulation. Despite this, the project's findings are consistent with existing research within this topic and have practical application to financial strategies within the UK Life Insurance sector.

5.7: Future Direction

Several areas discussed in this project would benefit from additional research. This research project had selected the 4 leading UK Life Insurance organisations as a representative sample for the Financial Analysis. It is suggested that similar research into Small Cap Life Insurance firms may offer comparative insights into the adaptability of financial strategy in smaller organisations within the same sector. This would allow for a better representation of the sample, and potentially add further insight to the recommendations discussed.

Furthermore, the survey study would present a better representation of the sector with larger participation numbers, or alternatively, via the use of interviews instead of surveys as a means to formulate a deeper understanding of the issues identified. Similarly, organisations may benefit from conducting an internal study on the basis of this paper, to fully comprehend the influences of COVID-19 on both financial and non-financial performance in their business.

This paper has identified significant effects of the pandemic on bargaining powers of employees moving forward. However, a necessity for further research exists to expand on this notion. Such research would seek to identify the relationships between pandemic-driven digitalisation and effective talent management.

5.8: Conclusion

This chapter has concluded the dissertation, addressing the overall aim and objectives and how these were achieved in this project. Main conclusions drawn from the findings have been presented and have informed strategic financial recommendations for UK Life Insurance organisations. Limitations of the undertaking and areas for further research have been discussed. Overall, this paper addresses financial strategy in the UK Life Insurance sector during the pandemic and may offer beneficial insights in future strategic developments.

Word Count: 15,550.

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Appendices

APPENDIX 1 - Survey Questions

The Effects of COVID-19 on Employees working with UK Life Insurance

On behalf of the University of Wales Trinity St. David

Thank you for your interest in this survey.

The survey aims to determine the effects of the COVID-19 pandemic on employees of UK Life Insurance organisations as part of an ongoing research project concerning the effects of COVID-driven change on financial strategy within this sector.

Section 1: Consent

By clicking "Next" you confirm your voluntary consent to participate in this research study. You may withdraw your participation at any time by closing the browser. Once you have submitted your answers, you are unable to withdraw them as no personal identifiers are used throughout this research. Should you wish to discuss this research with the author, please email

1804722@student.uwtsd.ac.uk.

The survey will take approximately 5 minutes to complete; please answer all questions as best as you can. All personal details, answers and opinions provided during the course of this survey will remain confidential and fully anonymous at all times.

Many thanks!

Section 2: UK Life Insurance

Q1: Have you worked in or with UK Life Insurance firms during COVID-19? (i.e. 2020-2022)?

(Select 1 answer)

- Yes (Continue to next section)
- No (Go to section 7)

Q2: What is the nature of your work?

(Select 1 answer)

- Administration
- Technical
- Broker or IFA
- Managerial
- Sales
- N/A
- Other – Please provide details

Section 3: Working in Life Insurance during COVID

Q3: Have you worked from home during COVID?

(Select 1 answer)

- Yes, full time.
- Yes, a hybrid model (i.e., several days at home each week)
- No, not at all.

Q4: Have your current (post-COVID) working habits changed as a result of the pandemic?

(Select 1 answer)

- Yes, I work from home now, but I didn't before COVID
- Yes, I work from an office now, but I didn't before COVID.
- Yes, I work hybrid now, but I didn't before COVID.
- No, I work the same way as before COVID.
- Other– Please provide details

Q5: In your personal experience, what are the key advantages and/or disadvantages of working from home? (Tick all that apply)

- Improved Concentration
- Worse Concentration
- Improved Productivity
- Worse Productivity
- Improved Work-life balance
- Worse Work-life balance
- Improved personal financial situation
- Worse personal financial situation
- Improved enjoyment of work
- Worse enjoyment of work
- Improved skills and personal development
- Worse skills and personal development
- I don't know / I haven't worked from home
- Other – Please provide details

Q6: To your knowledge, how has working from home affected finances within your business?

(Select 1 answer)

- It has saved the company money (consider: less office space, less heating costs, less commute expenses, reduced postage costs, reduced storage costs)
- It has cost the company money (consider: purchase of computer equipment/infrastructure, additional insurance, increased staffing requirements, staff training)
- I don't know
- Other– Please provide details

Q7: How has digitalisation during COVID affected your day-to-day work? (Tick all that apply)

- Processes & procedures have become easier
- Processes & procedures have become harder
- Arranging and conducting meetings have become easier
- Arranging and conducting meetings have become harder
- Compliance procedure has become easier
- Compliance procedure has become harder
- Collaboration has become easier
- Collaboration has become harder
- Customer service has become easier
- Customer service has become harder
- Day-to-day work is faster
- Day-to-day work is slower
- Jobs and tasks are easier to organise
- Jobs and tasks are harder to organise
- My knowledge of technology is improving
- My knowledge of technology has not improved

- o I feel that I have progressed and developed my skills
- o I do not feel that I have progressed or developed my skills
- o None of the above
- o Other– Please provide details

Q8: Are you aware of any strategic changes your business has made since the end of COVID restrictions?

(Select 1 answer)

- Yes, the business has changed significantly as a result of COVID. (Go to section 4)
- Yes, there are some small changes to how we operate. (Go to section 4)
- No, the business hasn't changed at all. (Go to section 5)
- I don't know (Go to section 5)
- Other – Please provide details (Go to section 5)

Section 4: Changes in Life Insurance

Q9: Describe briefly, in your own words, how your business has changed.

Input your answer here

Q10: In your opinion, will the changes to your business implemented during COVID become permanent? (Select 1 answer)

- Yes, I don't think the business will go back to how it was before COVID
- Maybe, I think some changes will be kept but others may not
- No, I think we will gradually return to "normal"
- Other – Please provide details

Section 5: The future of working in Life Insurance

Q11: What changes would you like to see within your organisation? (Tick all that apply)

- More training and development opportunities
- Digitalisation of more processes
- More flexibility in working habits
- Improvement of healthcare benefits
- Improved internal systems and procedures
- More collaboration
- Remote management and communication
- Improved policy and product offering
- Changes to pricing strategies
- Other– Please provide details

Q12: In your own words, what changes caused by the COVID-19 pandemic affected you and your job the most, and were these positive or negative?

Input your answer here

Section 6: Thank you for participating!

You have reached the end of this survey!

Please Click "Submit" at the bottom of this section to submit your responses.

The Researcher would like to thank you for your willingness to take part. All answers will remain fully confidential and used only for the purposes of the Researcher's dissertation project.

Please email 1804722@student.uwtsd.ac.uk for any queries, feedback, or questions you may have.

Thank you very much and have a lovely day!

Section 7: Thank you for participating!

You answered "no" to the question " **Have you worked in or with UK Life Insurance firms during COVID-19? (i.e., 2020-2022)?**"

Unfortunately, this survey seeks to gather the opinions of people who have worked in or with the UK Life Insurance industry throughout the pandemic, and you therefore do not fit the target audience.

Regardless, the Researcher would like to thank you for your willingness to take part in this survey.

Thank you very much and have a lovely day!

Please click "Submit" at the bottom of this section.

APPENDIX 2 - Table of Survey Questions relating to 2.0 Literature Review

Survey Question	Related theory from 2.0 Literature Review
Have you worked in or with UK Life Insurance firms during COVID-19? (i.e. 2020-2022)?	N/A - Question used as an exclusionary measure to ensure target sample participation only.
What is the nature of your work?	<u>Stakeholder Theory</u> : Freeman (1984), Bender & Ward (2012), Porter (1980), Mendelow (1991).
Have you worked from home during COVID?	<u>Hybrid and flexible work</u> : Darnell (2020), ONS (2022), Veglianti (2021)
Have your current (post-COVID) working habits changed as a result of the pandemic?	<u>The future business model</u> : Carannante <i>et al.</i> (2022), Veglianti (2021) <u>Long-term strategic change after COVID</u> : Smite <i>et al.</i> (2022)
In your personal experience, what are the key advantages and/or disadvantages of working from home?	<u>Employee Satisfaction/ Strategic Development</u> : Harris, Yelowitz and Courtemanche (2021), Veglianti (2021)

<p>To your knowledge, how has working from home affected finances within your business?</p>	<p><u>Financial benefits of COVID:</u> ONS (2022), Sharfuddin (2020)</p> <p><u>Changes to business profitability during COVID:</u> Farooq & Nasir (2021), Babuna <i>et al.</i> (2020)</p>
<p>How has digitalisation during COVID affected your day-to-day work?</p>	<p><u>Digital Transformation:</u> Preda, Popescu & Driga (2021), Harris, Yelowitz & Courtemanche (2021), Polinkevych (2022), Veglianti (2021)</p>
<p>Are you aware of any strategic changes your business has made since the end of COVID restrictions?</p>	<p><u>Strategic developments after COVID:</u> Sharfuddin (2020), Carannante <i>et al.</i> (2022)</p>
<p>Describe briefly, in your own words, how your business has changed.</p>	<p><u>Long term strategic change:</u> Carannante <i>et al.</i> (2022), Polinkevych (2022)</p>
<p>In your opinion, will the changes to your business implemented during COVID become permanent?</p>	<p><u>Changes to working preference:</u> Sharfuddin (2020), Harris, Yelowitz & Courtemanche (2021), Polinkevych (2022),</p>

	<p><u>Changes to demand/ policy innovation:</u> Rajnikanth & Doss (2021)</p>
<p>What changes would you like to see within your organisation?</p>	<p><u>Employee satisfaction/Wellbeing:</u> Marr (2012), Doss (2010), Rajnikanth & Doss, 2021, Mutembei (2022)</p>
<p>In your own words, what changes caused by the COVID-19 pandemic affected you and your job the most, and were these positive or negative?</p>	<p><u>Employee satisfaction/Wellbeing:</u> Marr (2012), Doss (2010), Rajnikanth & Doss, 2021, Mutembei (2022)</p> <p><u>Changes to working preference:</u> Sharfuddin (2020), Harris, Yelowitz & Courtemanche (2021), Polinkevych (2022),</p>

APPENDIX 3 - Financial Ratio Calculations and Formulas

Ratio	Formula/Source
Share Price	As published by providers on 31st December of each year
Dividend Cover	EPS/DPS
P/E Ratio	Market Price/EPS
Dividend per Share	As Published on Statement
Dividend Yield Ratio	Dividend per Share / Share Price
Total Shares	As Published on Statement: Weighted Average Ordinary Shares
EPS	As Published on Statement
Total Revenue	As Published on Statement: Total Earnings Generated
Total Expenses	As Published on Statement
Costs of Goods Sold (COGS)	Claims and Benefits Paid + Change in Insurance Liabilities
Total Income (Before Tax)	Total Revenue - Total Expenses
Non-Current Liabilities	All Long-term debts (Total Liabilities - Current Liabilities)
Current Liabilities	Payable within 1 year: Accounts Payable, Short Term Debt, Current Taxes, Other Liabilities Payable in 1 year, Unearned Premiums, Unpaid Losses and Adjustments, Policy Benefits, Policy Contract Deposits
Total Liabilities	As Published on Statement
Current Assets	Due within 1 year: Receivables, Current Tax Assets, Cash, Prepaid Expenses, Reinsurance Assets
Non- Current Assets	Long-term Fixed Assets: Total Assets - Current Assets
Total Assets	As Published on Statement
Net Worth	Total Assets - Total Liabilities
ROA	Total Income (before tax)/ Non-Current Assets + Current Assets - Current Liabilities
ROI	Net Profit / Net Worth
Gross Profit	Total Revenue - COGS
Gross Profit Margin	Gross Profit/Total Revenue (x 100)
Net Profit/Loss	As Published on Statement: Profit for the Year
Net Profit Margin	Net Profit/Total Revenue (x 100)
Current Ratio	Current Assets/Current Liabilities

Ratio	Share Price	Dividend Cover	P/E Ratio	Dividend per Share	Dividend Yield Ratio	Total Shares	EPS	Total Revenue	Total Expenses	Costs of Goods Sold (COGS)	Total Income (Before Tax)	Non current Liabilities	Current Liabilities	Total Liabilities	Current Assets	Non-Current Assets	Total Assets	Net Worth	ROA	ROI	Gross Profit	Gross Profit Margin	Net Profit / Loss	Net Profit Margin	Current Ratio
Aviva																									
2019	£ 3.9400	4.12	6.18	£ 0.155	3.93%	391100000	£ 0.638	£ 67,981,000.00	£ 64,160,000.00	£ 27,762,000.00	£ 3,821,000.00	£ 420,014,000.00	£ 21,344,000.00	£ 441,358,000.00	£ 31,794,000.00	£ 428,249,000.00	£ 460,043,000.00	£ 18,685,000.00	0.87%	14.25%	£ 40,219,000.00	59.16%	£ 2,663,000.00	3.92%	1.49
2020	£ 2.9100	3.34	4.15	£ 0.210	7.22%	392500000	£ 0.702	£ 46,569,000.00	£ 43,956,000.00	£ 27,685,000.00	£ 2,613,000.00	£ 435,267,000.00	£ 24,030,000.00	£ 459,297,000.00	£ 29,177,000.00	£ 450,680,000.00	£ 479,857,000.00	£ 20,560,000.00	0.57%	14.15%	£ 18,884,000.00	40.55%	£ 2,910,000.00	6.25%	1.21
2021	£ 4.0400	2.27	8.06	£ 0.221	5.46%	388900000	£ 0.501	£ 33,184,000.00	£ 32,383,000.00	£ 10,794,000.00	£ 801,000.00	£ 317,852,000.00	£ 21,168,000.00	£ 339,020,000.00	£ 21,134,000.00	£ 337,340,000.00	£ 358,474,000.00	£ 19,454,000.00	0.24%	10.47%	£ 22,390,000.00	67.47%	£ 2,036,000.00	6.14%	1.00
AIG																									
2019	\$ 51.33	11.53	13.91	\$ 0.32	0.62%	876750264	\$ 3.69	\$ 49,746,000.00	\$ 44,459,000.00	\$ 29,234,000.00	\$ 5,287,000.00	\$ 155,231,000.00	£ 302,406,000.00	\$ 457,637,000.00	\$ 51,107,000.00	\$ 473,957,000.00	\$ 525,064,000.00	\$ 67,427,000.00	2.37%	6.18%	\$ 20,512,000.00	41.23%	\$ 4,169,000.00	8.38%	0.17
2020	\$ 37.86	-21.50	-5.50	\$ 0.32	0.85%	869309458	\$ -6.88	\$ 43,736,000.00	\$ 51,029,000.00	\$ 28,428,000.00	\$ -7,293,000.00	\$ 164,946,000.00	£ 354,336,000.00	\$ 519,282,000.00	\$ 87,701,000.00	\$ 498,780,000.00	\$ 586,481,000.00	\$ 67,199,000.00	-3.14%	-8.67%	\$ 15,308,000.00	35.00%	\$ -5,829,000.00	-13.33%	0.25

2021	\$ 56.90	33.81	5.26	\$ 0.32	0.56%	854320449	\$ 10.82	\$ 52,057,000.00	\$ 39,958,000.00	\$ 27,945,000.00	\$ 12,099,000.00	\$ 167,978,000.00	£ 359,222,000.00	\$ 527,200,000.00	\$ 88,891,000.00	\$ 507,221,000.00	\$ 596,112,000.00	\$ 68,912,000.00	5.11%	14.40%	\$ 24,112,000.00	46.32%	\$ 9,923,000.00	19.06%	0.25
Zurich																									
2019	397.10 CHF	1.47	14.18	19.00 CHF	4.78%	149606027	\$ 28.01	\$ 71,792,000.00	\$ 65,692,000.00	\$ 27,569,000.00	\$ 6,100,000.00	\$ 356,754,000.00	£ 11,385,000.00	\$ 368,139,000.00	\$ 20,508,000.00	\$ 384,180,000.00	\$ 404,688,000.00	\$ 36,549,000.00	1.55%	11.99%	\$ 44,223,000.00	61.60%	\$ 4,384,000.00	6.11%	1.80
2020	373.50 CHF	1.29	14.45	20.00 CHF	5.35%	150460167	\$ 25.85	\$ 59,001,000.00	\$ 53,606,000.00	\$ 27,741,000.00	\$ 5,395,000.00	\$ 386,011,000.00	£ 13,442,000.00	\$ 399,453,000.00	\$ 21,676,000.00	\$ 417,623,000.00	\$ 439,299,000.00	\$ 39,846,000.00	1.27%	10.22%	\$ 31,260,000.00	52.98%	\$ 4,071,000.00	6.90%	1.61
2021	400.40 CHF	1.59	11.44	22.00 CHF	5.49%	150460167	\$ 34.99	\$ 69,867,000.00	\$ 62,546,000.00	\$ 28,284,000.00	\$ 7,321,000.00	\$ 381,723,000.00	£ 14,933,000.00	\$ 396,656,000.00	\$ 21,149,000.00	\$ 414,677,000.00	\$ 435,826,000.00	\$ 39,170,000.00	1.74%	13.85%	\$ 41,583,000.00	59.52%	\$ 5,425,000.00	7.76%	1.42
Lloyds																									
2019	£ 0.63	1.07	17.86	£ 0.03	5.22%	70603000000	£ 0.035	£ 42,356,000.00	£ 37,963,000.00	£ 12,670,000.00	£ 4,393,000.00	£ 657,321,000.00	£ 128,766,000.00	£ 786,087,000.00	£ 78,704,000.00	\$ 755,189,000.00	£ 833,893,000.00	£ 47,806,000.00	0.62%	6.29%	£ 29,686,000.00	70.09%	£ 3,006,000.00	7.10%	0.61
2020	£ 0.36	0.00	30.37	£ -	0.00%	70606000000	£ 0.012	£ 29,167,000.00	£ 27,941,000.00	£ 9,745,000.00	£ 1,226,000.00	£ 691,504,000.00	£ 130,352,000.00	£ 821,856,000.00	£ 94,302,000.00	\$ 776,967,000.00	£ 871,269,000.00	£ 49,413,000.00	0.17%	2.81%	£ 19,422,000.00	66.59%	£ 1,387,000.00	4.76%	0.72
2021	£ 0.48	3.75	6.37	£ 0.02	4.18%	70937000000	£ 0.075	£ 37,444,000.00	£ 30,542,000.00	£ 10,800,000.00	£ 6,902,000.00	£ 696,836,000.00	£ 136,537,000.00	£ 833,373,000.00	£ 76,783,000.00	\$ 809,742,000.00	£ 886,525,000.00	£ 53,152,000.00	0.92%	11.07%	£ 26,644,000.00	71.16%	£ 5,885,000.00	15.72%	0.56

APPENDIX 4 - Aviva Financial Statements 2019-2020**Consolidated income statement**

For the year ended 31 December 2020

	Notes	2020 £m	2019 ¹ £m
Continuing operations			
Income	6		
Gross written premiums		29,015	29,711
Premiums ceded to reinsurers		(3,638)	(3,184)
Premiums written net of reinsurance		25,377	26,527
Net change in provision for unearned premiums		(123)	(193)
Net earned premiums	H	25,254	26,334
Fee and commission income	16 J	1,946	1,936
Net investment income	K	19,330	39,611
Share of profit after tax of joint ventures and associates		27	94
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates		12	6
		46,569	67,981
Expenses	F		
Claims and benefits paid, net of recoveries from reinsurers		(21,045)	(22,092)
Change in insurance liabilities, net of reinsurance	43(b)	(6,640)	(5,670)
Change in investment contract provisions		(6,413)	(23,878)
Change in unallocated divisible surplus		(1,528)	(3,616)
Fee and commission expense		(4,161)	(3,924)
Investment expense attributable to unitholders		(579)	(1,355)
Other expenses		(3,037)	(3,057)
Finance costs	8	(553)	(568)
		(43,956)	(64,160)
Profit before tax		2,613	3,821
Tax attributable to policyholders' returns	14(d)	(43)	(501)
Profit before tax attributable to shareholders' profits		2,570	3,320
Tax expense	AC & 14	(571)	(1,201)
Less: tax attributable to policyholders' returns	14(d)	43	501
Tax attributable to shareholders' profits		(528)	(700)
Profit from continuing operations		2,042	2,620
Profit from discontinued operations	4(d)	868	43
Profit for the year		2,910	2,663
Attributable to:			
Equity holders of Aviva plc		2,798	2,548
Non-controlling interests	40	112	115
Profit for the year		2,910	2,663
Earnings per share	AG & 15		
Basic (pence per share)		70.2	63.8
Diluted (pence per share) ²		69.8	63.6
Continuing operations – basic (pence per share)		48.1	62.7
Continuing operations – diluted (pence per share) ²		47.8	62.5

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

2 Following a revision to the methodology to calculate the dilutive effect of share awards, the 2019 comparative amounts have been amended from those previously reported. See note 15 for more information.

Source: Aviva PLC, 2020, pg.144

Consolidated statement of financial position

As at 31 December 2020

	Note	2020 €m	2019 €m
Assets			
Goodwill	O & I7	1,799	1,855
Acquired value of in-force business and intangible assets	O & I8	2,434	2,800
Interests in, and loans to, joint ventures	D & I9	1,702	1,227
Interests in, and loans to, associates	D & I20	263	304
Property and equipment	P & I21	768	889
Investment property	O & I22	11,369	11,203
Loans	V & I25	43,679	38,579
Financial investments	S, T, U & I28	351,378	343,418
Reinsurance assets	R & I46	13,338	12,356
Deferred tax assets	AC & I49	119	151
Current tax assets		183	132
Receivables	29	9,352	8,995
Deferred acquisition costs	X & I30	3,264	3,156
Pension surpluses and other assets	X & I31	2,834	2,799
Prepayments and accrued income	X & I31(b)	2,742	3,143
Cash and cash equivalents	Y & I58(d)	16,900	19,524
Assets of operations classified as held for sale	AH & I4(c)	17,733	9,512
Total assets		479,857	460,043
Equity			
Capital	AE		
Ordinary share capital	33	982	980
Preference share capital	36	200	200
		1,182	1,180
Capital reserves			
Share premium	33(b)	1,242	1,239
Capital redemption reserve	33(b)	44	44
Merger reserve	D	8,974	8,974
		10,260	10,257
Treasury shares	35	(6)	(7)
Currency translation reserve	38	862	814
Other reserves	38	(212)	(101)
Retained earnings	38	7,468	5,065
Equity attributable to shareholders of Aviva plc		19,554	17,208
Direct capital instrument and tier 1 notes	37	—	500
Equity excluding non-controlling interests		19,554	17,708
Non-controlling interests	40	1,006	977
Total equity		20,560	18,685
Liabilities			
Gross insurance liabilities	L & I42	152,482	149,338
Gross liabilities for investment contracts	N & I44	222,831	222,127
Unallocated divisible surplus	L & I48	9,736	9,597
Net asset value attributable to unitholders	D	20,301	16,610
Pension deficits and other provisions	AA, AB & I50	1,435	1,565
Deferred tax liabilities	AC & I49	1,828	2,155
Current tax liabilities		114	569
Borrowings	AD & I52	9,684	9,039
Payables and other financial liabilities	SA & I53	20,667	18,138
Other liabilities	54	3,043	3,094
Liabilities of operations classified as held for sale	AH & I4(c)	17,176	9,126
Total liabilities		459,297	441,358
Total equity and liabilities		479,857	460,043

Approved by the Board on 3 March 2021

Source: Aviva PLC, 2020, pg. 149

Consolidated statement of cash flows

For the year ended 31 December 2020

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group.

	Note	2020 £m	2019 ¹ £m
Continuing operations			
Cash flows from operating activities²			
Cash (used in)/generated from operating activities	S8(a)	(1,644)	6,392
Tax paid		(1,040)	(543)
Total net cash (used in)/from operating activities		(2,684)	5,849
Cash flows from investing activities			
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired	S8(b)	(11)	(19)
Disposals of subsidiaries, joint ventures and associates, net of cash transferred	S8(c)	12	12
Purchases of property and equipment		(97)	(63)
Proceeds on sale of property and equipment		3	4
Purchases of intangible assets		(72)	(57)
Total net cash used in investing activities		(165)	(123)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		3	27
Treasury shares purchased for employee trusts		(2)	(9)
New borrowings drawn down, net of expenses		966	552
Repayment of borrowings ³		(1,005)	(927)
Net repayment of borrowings		(39)	(375)
Interest paid on borrowings		(536)	(545)
Preference dividends paid	16	(17)	(17)
Ordinary dividends paid	16	(236)	(1,184)
Forfeited dividend income		2	4
Coupon payments on direct capital instrument and tier 1 notes	16	(27)	(43)
Dividends paid to non-controlling interests of subsidiaries	40	(30)	(63)
Other		(2)	(5)
Total net cash used in financing activities		(884)	(2,210)
Total net (decrease)/increase in cash and cash equivalents from continuing operations		(3,733)	3,516
Net cash flows from discontinued operations	4(d)	245	112
Cash and cash equivalents at 1 January		19,434	16,051
Effect of exchange rate changes on cash and cash equivalents		236	(245)
Cash and cash equivalents at 31 December	S8(d)	16,182	19,434

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

2 Cash flows from operating activities include interest received of £5,705 million (2019: £5,693 million) and dividends received of £3,434 million (2019: £5,569 million).

3 2020 includes the redemption of 5.902% £500 million direct capital instrument and lease payments of £76 million. 2019 includes the redemption of 6.875% £210 million tier 1 notes.

Source: Aviva PLC, 2020, pg. 150

APPENDIX 5 - Aviva Financial Statements 2020-2021**Consolidated income statement**

For the year ended 31 December 2021

	Note	2021 £m	2020 ¹ £m
Continuing operations			
Income			
Gross written premiums	5	19,398	18,590
Premiums ceded to reinsurers		(4,701)	(3,500)
Premiums written net of reinsurance		14,697	15,090
Net change in provision for unearned premiums		(307)	(95)
Net earned premiums	H	14,390	14,995
Fee and commission income	I & J	1,488	1,317
Net investment income	K	17,138	14,971
Share of profit/(loss) after tax of joint ventures and associates		146	(3)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates		22	12
		33,184	31,292
Expenses	6		
Claims and benefits paid, net of recoveries from reinsurers		(12,493)	(13,028)
Change in insurance liabilities, net of reinsurance	39(b)	1,699	(4,991)
Change in investment contract provisions		(15,304)	(5,252)
Change in unallocated divisible surplus		(175)	505
Fee and commission expense		(3,172)	(3,047)
Investment expense attributable to unitholders		(224)	(588)
Other expenses		(2,211)	(2,530)
Finance costs	7	(503)	(549)
		(32,383)	(29,480)
Profit before tax from continuing operations		801	1,812
Tax attributable to policyholders' returns	13(d)	(245)	(43)
Profit before tax attributable to shareholders' profits from continuing operations		556	1,769
Tax expense	AC & 13	(465)	(346)
Less: tax attributable to policyholders' returns	13(d)	245	43
Tax attributable to shareholders' profits		(220)	(303)
Profit from continuing operations		336	1,466
Profit for the year from discontinued operations		150	731
Profit on disposal of discontinued operations		1,550	713
Profit from discontinued operations	3(c)	1,700	1,444
Profit for the year		2,036	2,910
Attributable to:			
Equity holders of Aviva plc		1,966	2,798
Non-controlling interests	38	70	112
Profit for the year		2,036	2,910
Earnings per share			
	AG & 14		
Basic (pence per share)		50.1	70.2
Diluted (pence per share)		49.7	69.8
Continuing operations - basic (pence per share)			
		7.7	35.7
Continuing operations - diluted (pence per share)			
		7.6	35.5

¹ The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

Source: Aviva PLC, 2021, pg. 3.27

Consolidated statement of financial position

As at 31 December 2021

	Note	2021 €m	2020 €m
Assets			
Goodwill	O & 16	1,741	1,799
Acquired value of in-force business and intangible assets	O & 17	1,950	2,434
Interests in, and loans to, joint ventures	D & 18	1,855	1,702
Interests in, and loans to, associates	D & 19	118	263
Property and equipment	F & 20	428	768
Investment property	Q & 21	7,003	11,369
Loans	V & 24	38,624	43,679
Financial investments	S, T, U & 22	264,961	351,378
Reinsurance assets	N & 44	15,032	13,338
Deferred tax assets	AC & 47	138	119
Current tax assets		170	183
Receivables	28	6,088	9,352
Deferred acquisition costs	X & 29	2,721	3,264
Pension surpluses and other assets	X & 30	2,769	2,834
Prepayments and accrued income	X & 30(b)	2,391	2,742
Cash and cash equivalents	Y & 36(a)	12,485	16,900
Assets of operations classified as held for sale	AH & 3(b)	—	17,733
Total assets		358,474	479,857
Equity			
Capital			
Ordinary share capital	AE 32(a)	941	982
Preference share capital	35	200	200
		1,141	1,182
Capital reserves			
Share premium	32(b)	1,248	1,242
Capital redemption reserve	32(b)	86	44
Merger reserve	D	8,974	8,974
		10,308	10,260
Treasury shares	34	(51)	(6)
Currency translation reserve	36	314	862
Other reserves	36	(66)	(212)
Retained earnings	37	7,556	7,468
Equity attributable to shareholders of Aviva plc		19,202	19,554
Non-controlling interests	38	252	1,006
Total equity		19,454	20,560
Liabilities			
Gross insurance liabilities	L & 40	122,250	152,482
Gross liabilities for investment contracts	M & 42	172,452	222,831
Unallocated divisible surplus	L & 46	1,960	9,736
Net asset value attributable to unitholders	D	16,427	20,301
Pension deficits and other provisions	AA, AB & 48	1,001	1,435
Deferred tax liabilities	AC & 47	1,983	1,828
Current tax liabilities		35	114
Borrowings	AD & 50	7,344	9,684
Payables and other financial liabilities	S & 51	12,609	20,667
Other liabilities	52	2,959	3,043
Liabilities of operations classified as held for sale	AH & 3(b)	—	17,176
Total liabilities		339,020	459,297
Total equity and liabilities		358,474	479,857

Approved by the Board on 1 March 2022

Source: Aviva PLC, 2021, pg. 3.32

Consolidated statement of cash flows

For the year ended 31 December 2021

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group.

	Note	2021 £m	2020 ¹ £m
Continuing operations			
Cash flows from operating activities²			
Cash used in operating activities	56(a)	(2,554)	(2,128)
Tax paid		(304)	(857)
Total net cash used in operating activities		(2,858)	(2,985)
Cash flows from investing activities			
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired	56(b)	—	(11)
Disposals of subsidiaries, joint ventures and associates, net of cash transferred	56(c)	23	12
Purchases of property and equipment		(86)	(77)
Proceeds on sale of property and equipment		159	2
Purchases of intangible assets		(22)	(61)
Total net cash from/(used in) investing activities		74	(135)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		6	3
Shares purchased in buyback	32	(663)	—
Treasury shares purchased for employee trusts		(69)	(2)
New borrowings drawn down, net of expenses		229	966
Repayment of borrowings ³		(2,197)	(930)
Net (repayment)/drawdown of borrowings		(1,968)	36
Interest paid on borrowings		(489)	(532)
Repayment of leases		(71)	(76)
Preference dividends paid	35	(17)	(17)
Ordinary dividends paid	35	(1,110)	(236)
Coupon payments on direct capital instrument	35	—	(27)
Dividends paid to non-controlling interests of subsidiaries		(21)	(21)
Other		—	1
Total net cash used in financing activities		(4,402)	(871)
Total net decrease in cash and cash equivalents from continuing operations		(7,186)	(3,991)
Cash flows (used in)/from discontinued operations		(286)	360
Cash flow on disposals from discontinued operations	56(c)	3,364	143
Net cash flows from discontinued operations	3(c)	3,078	503
Cash and cash equivalents at 1 January		16,182	19,434
Effect of exchange rate changes on cash and cash equivalents		(196)	236
Cash and cash equivalents at 31 December	56(d)	11,878	16,182

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

2 Cash flows from operating activities include interest received of £3,605 million (2020: £4,299 million) and dividends received of £4,461 million (2020: £3,196 million).

3 2021 includes the redemption of £1.9 billion subordinated debt and senior notes. 2020 includes the redemption of 5,902% £500 million direct capital instrument.

Source: Aviva PLC, 2021, pg. 3.33

APPENDIX 6 - AIG Financial Statements 2019-2020**American International Group, Inc.
Consolidated Statements of Income (Loss)**

(dollars in millions, except per common share data)	Years Ended December 31,		
	2020	2019	2018
Revenues:			
Premiums	\$ 28,523	\$ 30,561	\$ 30,614
Policy fees	2,917	3,015	2,791
Net investment income:			
Net investment income - excluding Fortitude Re funds withheld assets	12,578	14,619	13,086
Net investment income - Fortitude Re funds withheld assets*	1,053	-	-
Total net investment income	13,631	14,619	13,086
Net realized capital gains (losses):			
Net realized capital gains (losses) - excluding Fortitude Re funds withheld assets and embedded derivative	(56)	632	(51)
Net realized capital gains on Fortitude Re funds withheld assets*	463	-	-
Net realized capital losses on Fortitude Re funds withheld embedded derivative*	(2,645)	-	-
Total net realized capital gains (losses)	(2,238)	632	(51)
Other income	903	919	949
Total revenues	43,736	49,746	47,389
Benefits, losses and expenses:			
Policyholder benefits and losses incurred	24,806	25,402	27,412
Interest credited to policyholder account balances	3,622	3,832	3,754
Amortization of deferred policy acquisition costs	4,211	5,164	5,386
General operating and other expenses	8,396	8,537	9,302
Interest expense	1,457	1,417	1,309
Loss on extinguishment of debt	12	32	7
Net (gain) loss on sale of divested businesses	8,525	75	(38)
Total benefits, losses and expenses	51,029	44,459	47,132
Income (loss) from continuing operations before income tax expense (benefit)	(7,293)	5,287	257
Income tax expense (benefit):			
Current	217	545	336
Deferred	(1,677)	621	(182)
Income tax expense (benefit)	(1,460)	1,166	154
Income (loss) from continuing operations	(5,833)	4,121	103
Income (loss) from discontinued operations, net of income taxes	4	48	(42)
Net income (loss)	(5,829)	4,169	61
Less:			
Net income from continuing operations attributable to noncontrolling interests	115	821	67
Net income (loss) attributable to AIG	(5,944)	3,348	(6)
Less: Dividends on preferred stock	29	22	-
Net income (loss) attributable to AIG common shareholders	\$ (5,973)	\$ 3,326	\$ (6)
Income (loss) per common share attributable to AIG common shareholders:			
Basic:			
Income (loss) from continuing operations	\$ (6.88)	\$ 3.74	\$ 0.04
Income (loss) from discontinued operations	\$ -	\$ 0.05	\$ (0.05)
Net income (loss) attributable to AIG common shareholders	\$ (6.88)	\$ 3.79	\$ (0.01)
Diluted:			
Income (loss) from continuing operations	\$ (6.88)	\$ 3.69	\$ 0.04
Income (loss) from discontinued operations	\$ -	\$ 0.05	\$ (0.05)
Net income (loss) attributable to AIG common shareholders	\$ (6.88)	\$ 3.74	\$ (0.01)
Weighted average shares outstanding:			
Basic	869,309,458	876,750,264	898,405,537
Diluted	869,309,458	889,511,946	910,141,242

* Represents activity subsequent to the deconsolidation of Fortitude Reinsurance Company Ltd. on June 2, 2020.

**American International Group, Inc.
Consolidated Statements of Comprehensive Income (Loss)**

(in millions)	Years Ended December 31,		
	2020	2019	2018
Net income (loss)	\$ (5,829)	\$ 4,169	\$ 61
Other comprehensive income (loss), net of tax			
Change in unrealized depreciation of fixed maturity securities on which allowance for credit losses was taken	(95)	-	-
Change in unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken	-	661	(1,000)
Change in unrealized appreciation (depreciation) of all other investments	8,354	5,689	(4,975)
Change in foreign currency translation adjustments	359	104	(349)
Change in retirement plan liabilities adjustment	(106)	(36)	28
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	1	(3)	3
Other comprehensive income (loss)	8,513	6,415	(6,293)
Comprehensive income (loss)	2,684	10,584	(6,232)
Comprehensive income attributable to noncontrolling interests	99	841	76
Comprehensive income (loss) attributable to AIG	\$ 2,585	\$ 9,743	\$ (6,308)

See accompanying Notes to Consolidated Financial Statements.

Source: American International Group Inc, 2020, pg. 185-186

American International Group, Inc. Consolidated Balance Sheets

<i>(in millions, except for share data)</i>	December 31, 2020	December 31, 2019
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value, net of allowance for credit losses of \$186 in 2020 (amortized cost: 2020 - \$244,337; 2019 - \$233,230)	\$ 271,496	\$ 251,086
Other bond securities, at fair value (See Note 6)	5,291	6,682
Equity securities, at fair value (See Note 6)	1,056	841
Mortgage and other loans receivable, net of allowance for credit losses of \$814 in 2020 and \$438 in 2019	45,562	46,984
Other invested assets (portion measured at fair value: 2020 - \$8,422; 2019 - \$6,827)	19,060	18,792
Short-term investments, including restricted cash of \$180 in 2020 and \$188 in 2019 (portion measured at fair value: 2020 - \$5,968; 2019 - \$5,343)	18,203	13,230
Total investments	360,668	337,615
Cash	2,827	2,856
Accrued investment income	2,271	2,334
Premiums and other receivables, net of allowance for credit losses and disputes of \$205 in 2020 and \$178 in 2019	11,333	10,274
Reinsurance assets - Fortitude Re, net of allowance for credit losses and disputes of \$0 in 2020	34,578	-
Reinsurance assets - other, net of allowance for credit losses and disputes of \$326 in 2020 and \$151 in 2019	38,963	37,977
Deferred income taxes	12,624	13,146
Deferred policy acquisition costs	9,805	11,207
Other assets, net of allowance for credit losses of \$49 in 2020, including restricted cash of \$223 in 2020 and \$243 in 2019 (portion measured at fair value: 2020 - \$887; 2019 - \$3,151)	13,122	16,383
Separate account assets, at fair value	100,290	93,272
Total assets	\$ 586,481	\$ 525,064
Liabilities:		
Liability for unpaid losses and loss adjustment expenses, including allowance for credit losses of \$14 in 2020	\$ 77,720	\$ 78,328
Unearned premiums	18,660	18,269
Future policy benefits for life and accident and health insurance contracts	51,097	50,512
Policyholder contract deposits (portion measured at fair value: 2020 - \$9,798; 2019 - \$6,910)	160,251	151,869
Other policyholder funds	3,548	3,428
Fortitude Re funds withheld payable (portion measured at fair value: 2020 - \$6,042)	43,060	-
Other liabilities (portion measured at fair value: 2020 - \$570; 2019 - \$1,100)	27,122	26,609
Long-term debt (portion measured at fair value: 2020 - \$2,097; 2019 - \$2,062)	28,103	25,479
Debt of consolidated investment entities	9,431	9,871
Separate account liabilities	100,290	93,272
Total liabilities	519,282	457,637
Contingencies, commitments and guarantees (See Note 16)		
AIG shareholders' equity:		
Series A Non-cumulative preferred stock and additional paid in capital, \$5.00 par value; 100,000,000 shares authorized; shares issued: 2020 - 20,000 and 2019 - 20,000; liquidation preference \$500	485	485
Common stock, \$2.50 par value; 5,000,000,000 shares authorized; shares issued: 2020 - 1,906,671,492 and 2019 - 1,906,671,492	4,766	4,766
Treasury stock, at cost: 2020 - 1,045,113,443 shares; 2019 - 1,036,672,461 shares of common stock	(49,322)	(48,987)
Additional paid-in capital	81,418	81,345
Retained earnings	15,504	23,084
Accumulated other comprehensive income	13,511	4,982
Total AIG shareholders' equity	66,362	65,675
Non-redeemable noncontrolling interests	837	1,752
Total equity	67,199	67,427
Total liabilities and equity	\$ 586,481	\$ 525,064

* See Note 10 for details of balances associated with variable interest entities.

Source: American International Group Inc, 2020, pg. 184

American International Group, Inc. Consolidated Statements of Cash Flows

(in millions)	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income (loss)	\$ (5,829)	\$ 4,169	\$ 61
(Income) loss from discontinued operations	(4)	(48)	42
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Noncash revenues, expenses, gains and losses included in income (loss):			
Net (gains) losses on sales of securities available for sale and other assets	(1,179)	(862)	98
Net (gain) loss on sale of divested businesses	8,525	75	(38)
Losses on extinguishment of debt	12	32	7
Unrealized gains in earnings - net	(735)	(1,306)	(186)
Equity in loss from equity method investments, net of dividends or distributions	246	260	363
Depreciation and other amortization	4,120	5,006	5,362
Impairments of assets	98	299	425
Changes in operating assets and liabilities:			
Insurance reserves	461	(4,590)	1,239
Premiums and other receivables and payables - net	2,586	437	887
Reinsurance assets and funds held under reinsurance treaties	(693)	217	(3,289)
Capitalization of deferred policy acquisition costs	(4,292)	(5,403)	(5,832)
Current and deferred income taxes - net	(2,434)	912	-
Other, net	156	(1,005)	467
Total adjustments	6,871	(5,928)	(497)
Net cash provided by (used in) operating activities	1,038	(1,807)	(394)
Cash flows from investing activities:			
Proceeds from (payments for)			
Sales or distributions of:			
Available for sale securities	23,103	22,145	25,143
Other securities	2,533	7,918	3,755
Other invested assets	3,896	4,185	4,365
Divested businesses, net	2,173	2	10
Maturities of fixed maturity securities available for sale	27,620	25,488	24,777
Principal payments received on and sales of mortgage and other loans receivable	7,805	5,826	4,272
Purchases of:			
Available for sale securities	(58,284)	(54,410)	(44,109)
Other securities	(617)	(1,638)	(1,318)
Other invested assets	(3,522)	(3,346)	(2,839)
Mortgage and other loans receivable	(5,990)	(9,515)	(10,286)
Acquisition of businesses, net of cash and restricted cash acquired	-	-	(5,717)
Net change in short-term investments	(4,925)	(3,633)	1,524
Other, net	6	1,503	200
Net cash used in investing activities	(6,202)	(5,475)	(223)
Cash flows from financing activities:			
Proceeds from (payments for)			
Policyholder contract deposits	22,385	25,453	27,320
Policyholder contract withdrawals	(17,854)	(19,823)	(20,686)
Issuance of long-term debt	4,196	734	2,657
Issuance of debt of consolidated investment entities	2,128	3,147	2,077
Repayments of long-term debt	(1,923)	(1,504)	(3,044)
Repayments of debt of consolidated investment entities	(2,783)	(1,698)	(628)
Issuance of preferred stock, net of issuance costs	-	485	-
Purchase of common stock	(500)	-	(1,739)
Dividends paid on preferred stock	(29)	(22)	-
Dividends paid on common stock	(1,103)	(1,114)	(1,138)
Other, net	541	1,600	(3,570)
Net cash provided by financing activities	6,058	7,258	1,249
Effect of exchange rate changes on cash and restricted cash	49	16	(11)
Net increase (decrease) in cash and restricted cash	(57)	(8)	621
Cash and restricted cash at beginning of year	3,287	3,358	2,737
Change in cash of businesses held for sale	-	(63)	-
Cash and restricted cash at end of year	\$ 3,230	\$ 3,287	\$ 3,358

Source: American International Group Inc, 2020, pg. 188

American International Group, Inc. Consolidated Statements of Income (Loss)

(dollars in millions, except per common share data)	Years Ended December 31,		
	2021	2020	2019
Revenues:			
Premiums	\$ 31,259	\$ 28,523	\$ 30,561
Policy fees	3,051	2,917	3,015
Net investment income:			
Net investment income - excluding Fortitude Re funds withheld assets	12,641	12,578	14,619
Net investment income - Fortitude Re funds withheld assets	1,971	1,053	-
Total net investment income	14,612	13,631	14,619
Net realized gains (losses):			

APPENDIX 7 - AIG Financial Statements 2020-2021

Source: American International Group Inc, 2021, pg. 183-184

American International Group, Inc. Consolidated Balance Sheets

<i>(in millions, except for share data)</i>	December 31, 2021	December 31, 2020
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value, net of allowance for credit losses of \$98 in 2021 and \$186 in 2020 (amortized cost: 2021 - \$259,210; 2020 - \$244,337) [*]	\$ 277,202	\$ 271,496
Other bond securities, at fair value (See Note 5) [*]	6,278	5,291
Equity securities, at fair value (See Note 5) [*]	739	1,056
Mortgage and other loans receivable, net of allowance for credit losses of \$629 in 2021 and \$814 in 2020 [*]	46,048	45,562
Other invested assets (portion measured at fair value: 2021 - \$10,504; 2020 - \$8,422) [*]	15,668	19,060
Short-term investments, including restricted cash of \$197 in 2021 and \$180 in 2020 (portion measured at fair value: 2021 - \$4,426; 2020 - \$5,968) [*]	13,357	18,203
Total investments	359,292	360,668
Cash [*]	2,198	2,827
Accrued investment income [*]	2,239	2,271
Premiums and other receivables, net of allowance for credit losses and disputes of \$185 in 2021 and \$205 in 2020	12,409	11,333
Reinsurance assets - Fortitude Re, net of allowance for credit losses and disputes of \$0 in 2021 and \$0 in 2020	33,365	34,578
Reinsurance assets - other, net of allowance for credit losses and disputes of \$333 in 2021 and \$326 in 2020	40,919	38,963
Deferred income taxes	11,714	12,624
Deferred policy acquisition costs	10,514	9,805
Other assets, net of allowance for credit losses of \$49 in 2021 and \$49 in 2020, including restricted cash of \$32 in 2021 and \$223 in 2020 (portion measured at fair value: 2021 - \$957; 2020 - \$887) [*]	14,351	13,122
Separate account assets, at fair value	109,111	100,290
Total assets	\$ 596,112	\$ 586,481
Liabilities:		
Liability for unpaid losses and loss adjustment expenses, including allowance for credit losses of \$14 in 2021 and \$14 in 2020	\$ 79,026	\$ 77,720
Unearned premiums	19,313	18,680
Future policy benefits for life and accident and health insurance contracts	59,960	56,878
Policyholder contract deposits (portion measured at fair value: 2021 - \$9,736; 2020 - \$9,798)	156,686	154,470
Other policyholder funds	3,476	3,548
Fortitude Re funds withheld payable (portion measured at fair value: 2021 - \$5,922; 2020 - \$6,042)	40,771	43,060
Other liabilities (portion measured at fair value: 2021 - \$586; 2020 - \$570) [*]	28,704	27,122
Long-term debt (portion measured at fair value: 2021 - \$1,871; 2020 - \$2,097)	23,741	28,103
Debt of consolidated investment entities [*]	6,422	9,431
Separate account liabilities	109,111	100,290
Total liabilities	527,200	519,282
Contingencies, commitments and guarantees (See Note 15)		
AIG shareholders' equity:		
Series A non-cumulative preferred stock and additional paid in capital, \$5.00 par value; 100,000,000 shares authorized; shares issued: 2021 - 20,000 and 2020 - 20,000; liquidation preference \$500	485	485
Common stock, \$2.50 par value; 5,000,000,000 shares authorized; shares issued: 2021 - 1,906,671,492 and 2020 - 1,906,671,492	4,766	4,766
Treasury stock, at cost: 2021 - 1,087,984,129 shares; 2020 - 1,045,113,443 shares of common stock	(51,618)	(49,322)
Additional paid-in capital	81,851	81,418
Retained earnings	23,785	15,504
Accumulated other comprehensive income	6,687	13,511
Total AIG shareholders' equity	65,956	66,362
Non-redeemable noncontrolling interests	2,956	837
Total equity	68,912	67,199
Total liabilities and equity	\$ 596,112	\$ 586,481

* See Note 9 for details of balances associated with variable interest entities.

Source: American International Group Inc, 2021, pg. 182

American International Group, Inc. Consolidated Statements of Cash Flows

(in millions)	Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ 9,923	\$ (5,829)	\$ 4,169
Income from discontinued operations	-	(4)	(48)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Noncash revenues, expenses, gains and losses included in income (loss):			
Net gains on sales of securities available for sale and other assets	(2,099)	(1,179)	(862)
Net (gain) loss on divestitures	(3,044)	8,525	75
Losses on extinguishment of debt	389	12	32
Unrealized gains in earnings - net	(1,889)	(735)	(1,306)
Equity in loss from equity method investments, net of dividends or distributions	3	246	260
Depreciation and other amortization	4,633	4,120	5,006
Impairments of assets	46	98	299
Changes in operating assets and liabilities:			
Insurance reserves	5,127	461	(4,590)
Premiums and other receivables and payables - net	(655)	2,586	437
Reinsurance assets, net	(1,241)	(693)	217
Capitalization of deferred policy acquisition costs	(4,906)	(4,292)	(5,403)
Current and deferred income taxes - net	1,314	(2,434)	912
Other, net	(1,322)	156	(1,005)
Total adjustments	(3,644)	6,871	(5,928)
Net cash provided by (used in) operating activities	6,279	1,038	(1,807)
Cash flows from investing activities:			
Proceeds from (payments for)			
Sales or distributions of:			
Available for sale securities	26,098	23,103	22,145
Other securities	975	2,533	7,918
Other invested assets	6,258	3,896	4,185
Divestitures, net	4,683	2,173	2
Maturities of fixed maturity securities available for sale	34,765	27,620	25,488
Principal payments received on and sales of mortgage and other loans receivable	8,267	7,805	5,826
Purchases of:			
Available for sale securities	(74,204)	(58,284)	(54,410)
Other securities	(2,034)	(617)	(1,638)
Other invested assets	(3,168)	(3,522)	(3,346)
Mortgage and other loans receivable	(9,013)	(5,990)	(9,515)
Net change in short-term investments	5,088	(4,925)	(3,633)
Other, net	(995)	6	1,503
Net cash used in investing activities	(3,280)	(6,202)	(5,475)
Cash flows from financing activities:			
Proceeds from (payments for)			
Policyholder contract deposits	25,424	22,385	25,453
Policyholder contract withdrawals	(22,481)	(17,854)	(19,823)
Issuance of long-term debt	107	4,196	734
Issuance of debt of consolidated investment entities	4,338	2,128	3,147
Repayments of long-term debt	(4,147)	(1,923)	(1,504)
Repayments of debt of consolidated investment entities	(4,494)	(2,783)	(1,698)
Issuance of preferred stock, net of issuance costs	-	-	485
Purchase of common stock	(2,592)	(500)	-
Dividends paid on preferred stock	(29)	(29)	(22)
Dividends paid on common stock	(1,083)	(1,103)	(1,114)
Other, net	1,222	541	1,600
Net cash provided by (used in) financing activities	(3,735)	5,058	7,258
Effect of exchange rate changes on cash and restricted cash	(67)	49	16
Net decrease in cash and restricted cash	(803)	(57)	(8)
Cash and restricted cash at beginning of year	3,230	3,287	3,358
Change in cash of held for sale assets	-	-	(63)
Cash and restricted cash at end of year	\$ 2,427	\$ 3,230	\$ 3,287

Source: American International Group Inc, 2021, pg. 186

APPENDIX 8 - Zurich Financial Statements 2019-2020**Consolidated income statements**

in USD millions, for the years ended December 31	Notes	2020	2019
Revenues			
Gross written premiums		48,221	48,058
Policy fees		2,334	2,469
Gross written premiums and policy fees		50,555	50,525
Less premiums ceded to reinsurers		(9,988)	(9,274)
Net written premiums and policy fees		40,567	41,251
Net change in reserves for unearned premiums	10	(623)	(949)
Net earned premiums and policy fees		39,944	40,302
Farmers management fees and other related revenues	26	3,703	3,780
Net investment income on Group investments		4,903	5,298
Net capital gains/(losses) and impairments on Group investments		2,047	2,093
Net investment result on Group investments	8	6,950	7,391
Net investment result on unit-linked investments		7,389	19,485
Net gains/(losses) on divestment of businesses	5	57	(295)
Other income		957	1,129
Total revenues		59,001	71,792
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	10	35,899	33,620
Less ceded insurance benefits and losses	10	(8,158)	(6,051)
Insurance benefits and losses, net of reinsurance	10	27,741	27,570
Policyholder dividends and participation in profits, net of reinsurance	10	8,325	20,582
Underwriting and policy acquisition costs, net of reinsurance	10	8,555	8,529
Administrative and other operating expense	12	8,006	8,020
Interest expense on debt		399	401
Interest credited to policyholders and other interest		581	590
Total benefits, losses and expenses		53,606	65,692
Net income before income taxes		5,395	6,100
of which: Attributable to non-controlling interests		339	356
Income tax (expense)/benefit	17	(1,323)	(1,716)
attributable to policyholders	17	(46)	(365)
attributable to shareholders	17	(1,277)	(1,351)
of which: Attributable to non-controlling interests		(102)	(119)
Net income after taxes		4,071	4,384
attributable to non-controlling interests		238	237
attributable to shareholders		3,834	4,147
in USD			
Basic earnings per share	19	25.85	28.01
Diluted earnings per share	19	25.56	27.69
in CHF			
Basic earnings per share	19	24.24	27.84
Diluted earnings per share	19	23.98	27.51

Source: Zurich Insurance Group, 2020, pg. 199

Consolidated balance sheets

Assets	in USD millions, as of December 31	Notes	2020	2019
Assets:				
Cash and cash equivalents			11,106	7,880
Total Group Investments	6		210,398	193,312
Equity securities			19,493	18,296
Debt securities			161,710	147,507
Investment property			14,749	13,261
Mortgage loans			5,783	5,935
Other loans			8,620	8,274
Investments in associates and joint ventures			43	39
Investments for unit-linked contracts			135,058	126,211
Total investments			345,456	319,523
Reinsurers' share of liabilities for insurance contracts	8		25,523	22,752
Deposits made under reinsurance contracts			503	726
Deferred policy acquisition costs	11		20,021	19,207
Deferred origination costs	11		426	400
Receivables and other assets	15		20,362	19,357
Deferred tax assets	17		1,314	1,151
Assets held for sale ¹	5		2,538	2,087
Property and equipment	13		2,705	2,635
Attorney-in-fact contracts	14		1,025	1,025
Goodwill	14		4,089	3,610
Other intangible assets	14		4,230	4,333
Total assets			439,299	404,688

¹ As of December 31, 2020, the Group had USD 2.5 billion of assets held for sale based on agreements signed to sell businesses of Zurich Insurance plc and Zurich International Life Limited (see note 5). In 2019, the Group reclassified USD 2 billion of assets to held for sale based on agreements signed to sell businesses in the UK and Germany (see note 5).

Liabilities and equity	in USD millions, as of December 31	Notes	2020	2019
Liabilities:				
Liabilities for investment contracts	9		69,507	61,761
Deposits received under ceded reinsurance contracts			910	994
Deferred front-end fees			5,372	5,173
Liabilities for insurance contracts	8		263,497	264,140
Obligations to repurchase securities			784	977
Other liabilities	16		17,992	16,567
Deferred tax liabilities	17		5,136	4,533
Liabilities held for sale ¹	5		2,477	1,996
Senior debt	18		5,470	5,148
Subordinated debt	18		8,306	6,852
Total liabilities			399,453	368,139
Equity				
Share capital	19		11	11
Additional paid-in capital	19		1,438	1,235
Net unrealized gains/(losses) on available-for-sale investments			5,701	3,985
Cash flow hedges			526	454
Cumulative foreign currency translation adjustment ²			(8,696)	(9,349)
Revaluation reserve			264	223
Retained earnings ²			39,016	38,445
Shareholders' equity			36,278	35,004
Non-controlling interests			1,568	1,545
Total equity			39,846	36,549
Total liabilities and equity			439,299	404,688

¹ As of December 31, 2020, the Group had USD 2.5 billion of liabilities held for sale based on agreements to sell businesses of Zurich Insurance plc and Zurich International Life Limited (see note 5). In 2019, the Group reclassified USD 2 billion of liabilities to held for sale based on agreements to sell certain businesses in the UK and Germany (see note 5).
² Restated in line with Hyperinflation reclassification in Consolidated statements of changes in equity.

Source: Zurich Insurance Group, 2020, pg. 202-203

Consolidated statements of cash flows

In USD millions, for the years ended December 31	2020	2019
Cash flows from operating activities		
Net income attributable to shareholders	3,834	4,147
Adjustments for:		
Net (gains)/losses on divestment of businesses	(57)	295
(Income)/expense from equity method accounted investments	(3)	(3)
Depreciation, amortization and impairments of fixed and intangible assets	911	967
Other non-cash items	558	248
Underwriting activities:	8,029	19,597
Liabilities for insurance contracts, gross	7,594	11,073
Reinsurers' share of liabilities for insurance contracts	(2,105)	(2,423)
Liabilities for investment contracts	3,047	11,159
Deferred policy acquisition costs	(627)	(761)
Deferred origination costs	1	18
Deposits made under assumed reinsurance contracts	206	154
Deposits received under ceded reinsurance contracts	(87)	377
Investments:	(7,893)	(20,390)
Net capital (gains)/losses on total investments and impairments	(8,264)	(20,006)
Net change in derivatives	42	(347)
Net change in money market investments	(572)	(584)
Sales and maturities		
Debt securities	47,775	54,248
Equity securities	57,137	61,018
Other	6,100	7,369
Purchases		
Debt securities	(48,527)	(56,272)
Equity securities	(56,741)	(59,392)
Other	(4,842)	(6,423)
Net changes in sale and repurchase agreements	(248)	(361)
Movements in receivables and payables	609	718
Net changes in other operational assets and liabilities	50	(636)
Deferred income tax, net	(89)	302
Net cash provided by/(used in) operating activities	5,701	4,884

In USD millions, for the years ended December 31	2020	2019
Cash flows from investing activities		
Additions to tangible and intangible assets	(552)	(752)
Disposals of tangible and intangible assets	60	114
(Acquisitions)/disposals of equity method accounted investments, net	12	(5)
Acquisitions of companies, net of cash acquired	(26)	(1,672)
Divestments of companies, net of cash divested	8	106
Dividends from equity method accounted investments	1	1
Net cash provided by/(used in) investing activities	(496)	(2,206)
Cash flows from financing activities		
Dividends paid	(3,232)	(3,036)
Net movement in treasury shares	(214)	(101)
Issuance of debt	2,015	1,398
Repayment of debt	(1,024)	(1,367)
Lease principal repayments	(217)	(196)
Net cash provided by/(used in) financing activities	(2,672)	(3,302)
Foreign currency translation effects on cash and cash equivalents	666	41
Change in cash and cash equivalents	3,199	(583)
Cash and cash equivalents as of January 1	8,527	9,110
Total cash and cash equivalents as of December 31	11,726	8,527
of which: Cash and cash equivalents	11,106	7,880
of which: Unit-linked	620	647
Other supplementary cash flow disclosures¹		
Other interest income received	4,479	4,830
Dividend income received	1,367	1,764
Other interest expense paid	(928)	(907)
Income taxes paid	(1,406)	(1,534)

¹ These amounts are primarily included in the operating activities of the Cash flow statement.

Cash and cash equivalents

In USD millions, as of December 31	2020	2019
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	10,949	7,989
Cash equivalents	777	537
Total	11,726	8,527

For the periods ended December 31, 2020 and 2019, cash and cash equivalents held to meet local regulatory requirements were USD 440 million and USD 313 million, respectively.

APPENDIX 9 - Zurich Financial Statements 2020-2021

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2021	2020
Revenues			
Gross written premiums		53,185	48,221
Policy fees		2,592	2,334
Gross written premiums and policy fees		55,777	50,555
Less premiums ceded to reinsurers		(10,970)	(9,988)
Net written premiums and policy fees		44,806	40,567
Net change in reserves for unearned premiums	10	(1,776)	(623)
Net earned premiums and policy fees		43,031	39,944
Farmers management fees and other related revenues	26	4,265	3,703
Net investment income on Group investments		5,047	4,903
Net capital gains/(losses) and impairments on Group investments		2,038	2,047
Net investment result on Group investments	6	7,085	6,950
Net investment result on unit-linked investments		14,388	7,389
Net gains/(losses) on divestment of businesses	5	(185)	57
Other income		1,283	957
Total revenues		69,867	59,001
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	10	34,470	35,899
Less ceded insurance benefits and losses	10	(6,186)	(8,158)
Insurance benefits and losses, net of reinsurance	10	28,284	27,741
Policyholder dividends and participation in profits, net of reinsurance	10	15,195	8,325
Underwriting and policy acquisition costs, net of reinsurance	10	9,213	8,555
Administrative and other operating expense	12	8,794	8,006
Interest expense on debt		469	399
Interest credited to policyholders and other interest		591	581
Total benefits, losses and expenses		62,546	53,606
Net income before income taxes		7,321	5,395
of which: Attributable to non-controlling interests		332	339
Income tax (expense)/benefit	17	(1,895)	(1,323)
attributable to policyholders	17	(275)	(46)
attributable to shareholders	17	(1,621)	(1,277)
of which: Attributable to non-controlling interests		(109)	(102)
Net income after taxes		5,425	4,071
attributable to non-controlling interests		223	238
attributable to shareholders		5,202	3,834
in USD			
Basic earnings per share	19	34.99	25.85
Diluted earnings per share	19	34.66	25.56
in CHF			
Basic earnings per share	19	31.98	24.24
Diluted earnings per share	19	31.68	23.98

Source: Zurich Insurance Group, 2021, pg. 235

Consolidated balance sheets

Assets	In USD millions, as of December 31	Notes	2021	2020
Assets:				
Cash and cash equivalents			8,698	11,106
Total Group investments	6		190,959	210,398
Equity securities			18,578	19,493
Debt securities			145,084	161,710
Investment property			14,070	14,749
Mortgage loans			6,106	5,783
Other loans			7,053	8,620
Investments in associates and joint ventures			68	43
Investments for unit-linked contracts			142,470	135,058
Total investments			333,429	345,456
Reinsurers' share of liabilities for insurance contracts	8		25,680	25,523
Deposits made under reinsurance contracts			444	503
Deferred policy acquisition costs	11		20,446	20,021
Deferred origination costs	11		441	426
Receivables and other assets	15		19,951	20,362
Deferred tax assets	17		1,198	1,314
Assets held for sale ¹	5		11,626	2,538
Property and equipment	13		2,436	2,705
Attorney-in-fact contracts	14		2,650	1,025
Goodwill	14		4,344	4,089
Other intangible assets	14		4,484	4,230
Total assets			435,826	439,299

¹ As of December 31, 2021, the Group had USD 11.6 billion of assets held for sale based on agreements signed to sell business of Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A. and Zurich Insurance plc (Spain) (see note 5). In 2020, the Group had USD 2.5 billion of assets held for sale business of Zurich Insurance plc and Zurich International Life Limited (see note 5).

Liabilities and equity	In USD millions, as of December 31	Notes	2021	2020
Liabilities				
Liabilities for investment contracts	9		68,855	60,507
Deposits received under ceded reinsurance contracts			970	910
Deferred front-end fees			5,124	5,372
Liabilities for insurance contracts ¹	8		272,707	283,497
Obligations to repurchase securities			1,381	784
Other liabilities ²	16, 22		16,009	17,992
Deferred tax liabilities	17		5,151	5,136
Liabilities held for sale ²	5		11,351	2,477
Senior debt	18		5,327	5,470
Subordinated debt	18		9,752	8,306
Total liabilities			396,656	399,453
Equity				
Share capital	19		11	11
Additional paid-in capital	19		1,449	1,438
Net unrealized gains/(losses) on available-for-sale investments			3,670	5,701
Cash flow hedges			411	526
Cumulative foreign currency translation adjustment			(9,633)	(8,696)
Revaluation reserve			265	284
Retained earnings			41,707	39,016
Shareholders' equity			37,881	38,278
Non-controlling interests			1,289	1,568
Total equity			39,170	39,846
Total liabilities and equity			435,826	439,299

¹ Includes restructuring provisions, litigation and regulatory provisions and other provisions (see note 10).

² As of December 31, 2021, the Group had USD 11.4 billion of liabilities held for sale based on agreements signed to sell business of Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A. and Zurich Insurance plc (Spain) (see note 5). In 2020, the Group had USD 2.5 billion of liabilities held for sale business of Zurich Insurance plc and Zurich International Life Limited (see note 5).

Source: Zurich Insurance Group, 2021, pg. 238-239

Consolidated statements of cash flows

In USD millions, for the years ended December 31	2021	2020
Cash flows from operating activities		
Net income attributable to shareholders	5,202	3,834
Adjustments for:		
Net (gains)/losses on divestment of businesses	185	(57)
(Income)/expense from equity method accounted investments	4	(3)
Depreciation, amortization and impairments of fixed and intangible assets	849	911
Other non-cash items	(374)	558
Underwriting activities:	16,033	8,029
Liabilities for insurance contracts, gross	9,485	7,594
Reinsurers' share of liabilities for insurance contracts	(336)	(2,105)
Liabilities for investment contracts	7,676	3,047
Deferred policy acquisition costs	(889)	(627)
Deferred origination costs	(38)	1
Deposits made under assumed reinsurance contracts	56	206
Deposits received under ceded reinsurance contracts	79	(87)
Investments:	(17,857)	(7,893)
Net capital (gains)/losses on total investments and impairments	(14,918)	(8,264)
Net change in derivatives	432	42
Net change in money market investments	728	(572)
Sales and maturities		
Debt securities	42,492	47,775
Equity securities	53,695	57,137
Other	9,489	6,100
Purchases		
Debt securities	(48,985)	(48,527)
Equity securities	(51,580)	(56,741)
Other	(9,211)	(4,842)
Net changes in sale and repurchase agreements	615	(248)
Movements in receivables and payables	(2,059)	609
Net changes in other operational assets and liabilities	(75)	50
Deferred income tax, net	646	(89)
Net cash provided by/(used in) operating activities	3,167	5,701

In USD millions, for the years ended December 31	2021	2020
Cash flows from investing activities		
Additions to tangible and intangible assets	(576)	(552)
Disposals of tangible and intangible assets	155	60
(Acquisitions)/disposals of equity method accounted investments, net	(38)	12
Acquisitions of companies, net of cash acquired ¹	(2,446)	(26)
Divestments of companies, net of cash divested	16	8
Dividends from equity method accounted investments	2	1
Net cash provided by/(used in) investing activities	(2,896)	(496)
Cash flows from financing activities		
Dividends paid	(3,534)	(3,232)
Net movement in treasury shares	(455)	(214)
Issuance of debt	2,664	2,015
Repayment of debt	(740)	(1,024)
Lease principal repayments	(227)	(217)
Net cash provided by/(used in) financing activities	(2,292)	(2,672)
Foreign currency translation effects on cash and cash equivalents	(366)	666
Change in cash and cash equivalents	(2,396)	3,199
Cash and cash equivalents as of January 1	11,726	8,527
Total cash and cash equivalents as of December 31	9,330	11,726
of which: Cash and cash equivalents	8,698	11,106
of which: Unit-linked	632	620
Other supplementary cash flow disclosures²		
Other interest income received	4,676	4,479
Dividend income received	1,737	1,367
Other interest expense paid	(955)	(928)
Income taxes paid	(1,488)	(1,408)

¹ Relates mainly to the acquisition of MetLife P&C (see note 5).

² These amounts are primarily included in the operating activities of the Cash flow statement.

Cash and cash equivalents

In USD millions, as of December 31	2021	2020
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	8,663	10,949
Cash equivalents	667	777
Total	9,330	11,726

For the periods ended December 31, 2021 and 2020, cash and cash equivalents held to meet local regulatory requirements were USD 376 million and USD 440 million, respectively.

Source: Zurich Insurance Group, 2021, pg. 240-241

APPENDIX 10 - Lloyds Financial Statements 2019-2020**Consolidated income statement**

for the year ended 31 December

	Note	2020 £ million	2019 £ million	2018 £ million
Interest income		14,306	16,861	16,349
Interest expense		(3,557)	(6,681)	(2,953)
Net interest income	5	10,749	10,180	13,396
Fee and commission income		2,308	2,756	2,848
Fee and commission expense		(1,148)	(1,350)	(1,386)
Net fee and commission income	6	1,160	1,406	1,462
Net trading income	7	7,220	18,288	(3,876)
Insurance premium income	8	8,615	9,574	9,189
Other operating income	9	1,423	2,908	1,920
Other income		18,418	32,176	8,695
Total income		29,167	42,356	22,091
Insurance claims	10	(14,041)	(23,997)	(3,465)
Total income, net of insurance claims		15,126	18,359	18,626
Regulatory provisions	36	(464)	(2,895)	(1,350)
Other operating expenses		(9,281)	(9,775)	(10,379)
Total operating expenses	11	(9,745)	(12,670)	(11,729)
Impairment	13	(4,155)	(1,296)	(937)
Profit before tax		1,226	-4,393	5,960
Tax credit (expense)	14	161	(1,387)	(1,454)
Profit for the year		1,387	3,006	4,506
Profit attributable to ordinary shareholders		865	2,459	3,975
Profit attributable to other equity holders		453	466	433
Profit attributable to equity holders		1,318	2,925	4,408
Profit attributable to non-controlling interests		69	81	98
Profit for the year		1,387	3,006	4,506
Basic earnings per share	15	1.2p	3.5p	5.5p
Diluted earnings per share	15	1.2p	3.4p	5.5p

The accompanying notes are an integral part of the consolidated financial statements.

Source: Lloyds Banking Group, 2020, pg. 215

Consolidated balance sheet

at 31 December

	Note	2020 £ million	2019 £ million
Assets			
Cash and balances at central banks		73,257	55,130
Items in the course of collection from banks		299	313
Financial assets at fair value through profit or loss	16	171,626	160,189
Derivative financial instruments	17	29,613	26,369
Loans and advances to banks		10,746	9,775
Loans and advances to customers		498,843	494,988
Debt securities		5,405	5,544
Financial assets at amortised cost	18	514,994	510,307
Financial assets at fair value through other comprehensive income	20	27,603	25,092
Investments in joint ventures and associates	21	296	304
Goodwill	22	2,320	2,324
Value of in-force business	23	5,617	5,558
Other intangible assets	24	4,140	3,808
Property, plant and equipment	25	11,754	13,104
Current tax recoverable		660	7
Deferred tax assets	35	2,741	2,666
Retirement benefit assets	34	1,714	681
Assets arising from contracts held with reinsurers		20,385	23,567
Other assets	26	4,250	4,474
Total assets		871,269	833,893

The accompanying notes are an integral part of the consolidated financial statements.

	Note	2020 £ million	2019 £ million
Equity and liabilities			
Liabilities			
Deposits from banks		31,465	28,179
Customer deposits		460,068	421,320
Items in course of transmission to banks		306	373
Financial liabilities at fair value through profit or loss	27	22,646	21,486
Derivative financial instruments	17	27,313	25,779
Notes in circulation		1,305	1,079
Debt securities in issue	28	87,397	97,689
Liabilities arising from insurance contracts and participating investment contracts	30	116,060	111,449
Liabilities arising from non-participating investment contracts	32	38,452	37,459
Other liabilities	33	20,347	20,333
Retirement benefit obligations	34	245	257
Current tax liabilities		31	187
Deferred tax liabilities	35	45	44
Other provisions	36	1,915	3,323
Subordinated liabilities	37	14,261	17,130
Total liabilities		821,856	786,087
Equity			
Share capital	38	7,084	7,005
Share premium account	39	17,863	17,751
Other reserves	40	13,747	13,695
Retained profits	41	4,584	3,246
Shareholders' equity		43,278	41,697
Other equity instruments	42	5,906	5,906
Total equity excluding non-controlling interests		49,184	47,603
Non-controlling interests		229	203
Total equity		49,413	47,806
Total equity and liabilities		871,269	833,893

The accompanying notes are an integral part of the consolidated financial statements.

Source: Lloyds Banking Group, 2020, pg. 217-218

Consolidated cash flow statement

for the year ended 31 December

	Note	2020 £ million	2019 £ million	2018 £ million
Profit before tax		1,226	4,393	5,960
Adjustments for:				
Change in operating assets	52(A)	(18,650)	(11,049)	(4,472)
Change in operating liabilities	52(B)	35,737	3,642	(8,673)
Non-cash and other items	52(C)	9,594	15,573	(2,892)
Tax paid		(736)	(1,278)	(1,030)
Net cash provided by (used in) operating activities		27,171	11,281	(11,107)
Cash flows from investing activities				
Purchase of financial assets		(8,589)	(9,730)	(12,657)
Proceeds from sale and maturity of financial assets		6,347	9,631	26,806
Purchase of fixed assets		(2,901)	(3,442)	(3,514)
Proceeds from sale of fixed assets		1,146	1,432	1,334
Acquisition of businesses, net of cash acquired	52(E)	(3)	(21)	(49)
Disposal of businesses, net of cash disposed		-	-	1
Net cash (used in) provided by investing activities		(4,000)	(2,130)	11,921
Cash flows from financing activities				
Dividends paid to ordinary shareholders		-	(2,312)	(2,240)
Distributions on other equity instruments		(453)	(466)	(433)
Dividends paid to non-controlling interests		(41)	(138)	(61)
Interest paid on subordinated liabilities		(1,095)	(1,178)	(1,268)
Proceeds from issue of subordinated liabilities		-	-	1,729
Proceeds from issue of other equity instruments		-	893	1,131
Proceeds from issue of ordinary shares		144	36	102
Share buyback		-	(1,095)	(1,005)
Repayment of subordinated liabilities		(3,874)	(818)	(2,256)
Redemption of other equity instruments		-	(1,481)	-
Net cash used in financing activities		(5,319)	(6,559)	(4,301)
Effects of exchange rate changes on cash and cash equivalents		(196)	(5)	3
Change in cash and cash equivalents		17,656	2,587	(3,484)
Cash and cash equivalents at beginning of year		57,811	55,224	58,708
Cash and cash equivalents at end of year	52(D)	75,467	57,811	55,224

The accompanying notes are an integral part of the consolidated financial statements.

Source: Lloyds Banking Group, 2020, pg. 222

APPENDIX 11 - Lloyds Financial Statements 2020-2021**Consolidated income statement**

for the year ended 31 December

	Note	2021 £ million	2020 £ million	2019 £ million
Interest income		13,258	14,306	16,861
Interest expense		(3,892)	(3,557)	(6,681)
Net interest income	5	9,366	10,749	10,180
Fee and commission income		2,608	2,308	2,756
Fee and commission expense		(1,185)	(1,148)	(1,350)
Net fee and commission income	6	1,423	1,160	1,406
Net trading income	7	17,200	7,220	18,288
Insurance premium income	8	8,283	8,615	9,574
Other operating income	9	1,172	1,423	2,908
Other income		28,078	18,418	32,176
Total income		37,444	29,167	42,356
Insurance claims	10	(21,120)	(14,041)	(23,997)
Total income, net of insurance claims		16,324	15,126	18,359
Operating expenses	11	(10,800)	(9,745)	(12,670)
Impairment credit (charge)	13	1,378	(4,155)	(1,296)
Profit before tax		6,902	1,226	4,393
Tax (expense) credit	14	(1,017)	161	(1,387)
Profit for the year		5,885	1,387	3,006
Profit attributable to ordinary shareholders		5,355	865	2,459
Profit attributable to other equity holders		429	453	466
Profit attributable to equity holders		5,784	1,318	2,925
Profit attributable to non-controlling interests		101	69	81
Profit for the year		5,885	1,387	3,006
Basic earnings per share	15	7.5p	1.2p	3.5p
Diluted earnings per share	15	7.5p	1.2p	3.4p

The accompanying notes are an integral part of the consolidated financial statements.

Source: Lloyds Banking Group, 2021, pg. 206

Consolidated balance sheet

at 31 December

	Note	2021 £million	2020 £million
Assets			
Cash and balances at central banks		76,420	73,257
Items in the course of collection from banks		147	299
Financial assets at fair value through profit or loss ¹	16	206,771	191,169
Derivative financial instruments	17	22,051	29,613
Loans and advances to banks ¹		7,001	8,060
Loans and advances to customers ¹		448,567	440,200
Reverse repurchase agreements ¹		54,753	61,329
Debt securities		6,835	5,405
Financial assets at amortised cost	18	517,156	514,994
Financial assets at fair value through other comprehensive income	20	28,137	27,603
Investments in joint ventures and associates	21	352	296
Goodwill	22	2,320	2,320
Value of in-force business	23	5,514	5,617
Other intangible assets	24	4,196	4,140
Current tax recoverable		363	660
Deferred tax assets	35	3,118	2,741
Retirement benefit assets	34	4,531	1,714
Other assets ¹	25	15,449	16,846
Total assets		886,525	871,269

¹ See note 1 regarding changes to presentation.

The accompanying notes are an integral part of the consolidated financial statements.

Deposits from banks ¹		7,647	12,698
Customer deposits ¹		476,344	450,651
Repurchase agreements at amortised cost ¹		31,125	28,184
Items in course of transmission to banks		316	306
Financial liabilities at fair value through profit or loss	27	23,123	22,646
Derivative financial instruments	17	18,060	27,313
Notes in circulation		1,321	1,305
Debt securities in issue	28	71,552	87,397
Liabilities arising from insurance contracts and participating investment contracts	30	123,423	116,060
Liabilities arising from non-participating investment contracts	32	45,040	38,452
Other liabilities	33	19,947	20,347
Retirement benefit obligations	34	230	245
Current tax liabilities		6	31
Deferred tax liabilities	35	39	45
Other provisions	36	2,092	1,915
Subordinated liabilities	37	13,108	14,261
Total liabilities		833,373	821,856
Equity			
Share capital	38	7,102	7,084
Share premium account	39	18,479	17,863
Other reserves	40	11,189	13,747
Retained profits	41	10,241	4,584
Ordinary shareholders' equity		47,011	43,278
Other equity instruments	42	5,906	5,906
Total equity excluding non-controlling interests		52,917	49,184
Non-controlling interests		235	229
Total equity		53,152	49,413
Total equity and liabilities		886,525	871,269

¹ See note 1 regarding changes to presentation.

The accompanying notes are an integral part of the consolidated financial statements.

The directors approved the consolidated financial statements on 23 February 2022.

Source: Lloyds Banking Group, 2021, pg. 208-209

Consolidated cash flow statement

for the year ended 31 December

	Note	2021 £ million	2020 £ million	2019 £ million
Profit before tax		6,902	1,226	4,393
Adjustments for:				
Change in operating assets	52(A)	(10,502)	(18,650)	(11,049)
Change in operating liabilities	52(B)	4,954	35,737	3,642
Non-cash and other items	52(C)	6,063	9,594	15,573
Tax paid (net)		(796)	(736)	(1,278)
Net cash provided by operating activities		6,621	27,171	11,281
Cash flows from investing activities				
Purchase of financial assets		(8,984)	(8,589)	(9,730)
Proceeds from sale and maturity of financial assets		8,287	6,347	9,631
Purchase of fixed assets		(3,228)	(2,901)	(3,442)
Proceeds from sale of fixed assets		1,437	1,146	1,432
Acquisition of businesses, net of cash acquired	52(D)	(57)	(3)	(21)
Net cash used in investing activities		(2,545)	(4,000)	(2,130)
Cash flows from financing activities				
Dividends paid to ordinary shareholders	43	(877)	–	(2,312)
Distributions on other equity instruments		(429)	(453)	(466)
Dividends paid to non-controlling interests		(93)	(41)	(138)
Interest paid on subordinated liabilities		(1,303)	(1,095)	(1,178)
Proceeds from issue of subordinated liabilities		499	–	–
Proceeds from issue of other equity instruments		–	–	893
Proceeds from issue of ordinary shares		25	144	36
Share buyback		–	–	(1,095)
Repayment of subordinated liabilities		(1,056)	(3,874)	(818)
Redemption of other equity instruments		–	–	(1,481)
Net cash used in financing activities		(3,234)	(5,319)	(6,559)
Effects of exchange rate changes on cash and cash equivalents		70	(196)	(5)
Change in cash and cash equivalents		912	17,656	2,587
Cash and cash equivalents at beginning of year		75,467	57,811	55,224
Cash and cash equivalents at end of year	52(E)	76,379	75,467	57,811

The accompanying notes are an integral part of the consolidated financial statements.

Source: Lloyds Banking Group, 2021, pg. 213

APPENDIX 12 - Content Analysis**Coding - Question 9**

Describe briefly, in your own words, how your business has changed. (asked 35, if yes to question on change)		
Words in Responses	Number of Appearances	Coding
Meetings	9	Virtual Contact & Appointment Processes
Appointments	2	
Contact	1	
Seeing People	1	
Changes to Pay	1	Treatment of Staff (inc. Pay, Covid-rules, training)
Training	1	
COVID Rules	2	
Recruitment	1	
Number of Employees	1	
Demand	1	Demand and Offering
Offerings	1	
Productivity	1	Productivity & Efficiency and Culture
Speed of Work	1	
Efficiency	1	
Culture	1	
Processes	1	Daily, Compliance and Technical Processes
Technical and Compliance	1	
Forms/Paperwork	4	
Operations	1	
Flexible Process	2	
Daily Processes	1	
Working From Home	7	Working from Home/Hybrid Working
Virtual	3	
Hybrid Work	5	

Totals

Daily, Compliance and Technical Processes	Working from Home/Hybrid Working	Productivity & Efficiency and Culture	Demand and Offering	Virtual Contact & Appointment Processes	Treatment of Staff (inc. Pay, Covid-rules, training)
10	15	4	2	13	6

Coding - Question 12

In your own words, what changes caused by the COVID-19 pandemic affected you and your job the most, and were these positive or negative?			
Words in Responses	Number of Positive Appearances	Number of Negative Appearances	Coding
People in Same Scenario	1	0	Collaboration and Comradery
Work More with Others	1	0	
Collaboration	0	2	
Interpersonal Skills	0	1	
Workplace Comradery	0	2	
Relationships	0	1	
Clients Adapting to Digital	1	0	Accessibility Of Meetings
Communicating with Clients	1	0	
Variety of Ways to Meet	1	0	
Less Travel for Meetings	1	0	
Meetings Accessible for People with Disabilities	1	0	
Meetings are Easier	1	0	
Management of Appointments	1	0	Work-Life Balance / Emotional Wellbeing
Work-Life Balance	10	0	
More Time with Family/Friends	2	0	
Isolation	0	2	
Distractions Around Family/Children	0	1	
Mental Health	0	1	
Loneliness	0	1	Adoption of Digital Processes
Trust in Processes	1	0	
Variety of Processes	1	0	
Electronic Processes	1	0	
Digital Processes	1	0	
Policy Changes	1	0	
Remote Collaboration	1	0	

Reduced Travel Costs	1	0	Saving Travel Costs and Time
Travel Time	1	0	
Less Travelling	2	0	
Commuting/Living Costs	2	0	
Working from Home	14	0	Working from Home
Hybrid Work	1	0	
Service Quality from Remote Workers	0	1	
Job is Harder at Home	0	1	
Inability to Visit Clients	0	1	
Productive	2	1	Quality and Productivity of Work
Job is Easier	2	0	
Less Distractions	1	0	
Quicker Processes	1	0	
Working More	1	0	
Customer Service Quality	0	1	
Data Storage	0	1	Compliance and Data Storage Process
Intrusion Due to COVID Regulations	0	1	Treatment of Staff
Concern of Catching COVID at Work	0	1	

Totals

	Collaboration and Comradery	Work-Life Balance / Emotional Wellbeing	Working from Home	Quality & Productivity of Work	Adoption of Digital Processes	Saving Travel Costs & Time	Accessibility Of Meetings	Treatment of Staff	Compliance & Data Storage Process
Positive	2	12	15	7	6	6	7	0	0
Negative	6	5	3	2	0	0	0	2	1