B&CE Insurance Limited

Annual report and financial statements
for the year ended 31 March 2023

Company number: 03093365

Contents

Company information

Directors	**Non-executive Independent Chair:** C Ramamurthy (resigned 31 December 2022) P Billingham (appointed as Chair 1 January 2023) **Non-executive Directors:** J Islam (resigned 31 December 2022) D Lamble (appointed 1 January 2023) **Executive Directors:** P Heath-Lay S Hunter
Registered office	Manor Royal Crawley West Sussex RH10 9QP
Company number	03093365 (England and Wales)
Independent auditor	KPMG LLP Chartered Accountants and Statutory Auditor 15 Canada Square London E14 5GL
Actuarial Function Holder	Peter Ford Deloitte MCS Limited 1 New Street Square London EC4A 3HQ
Banker	HSBC Bank plc 60 Queen Victoria St London EC4N 4TR
Solicitor	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF

Strategic report for the year ended 31 March 2023

The Directors present their strategic report of B&CE Insurance Limited for the year ended 31 March 2023.

Company structure

B&CE Insurance Limited (the Company) is a wholly owned direct subsidiary of People's Partnership Limited (formerly People's Financial Services Limited) (the Parent Company), which, in turn, is owned by People's Partnership Holdings Limited (formerly B&CE Holdings Limited) (the Ultimate Parent Company). People's Partnership Holdings Limited and all its subsidiaries are collectively known as 'People's Partnership' or the 'Group'. The Ultimate Parent Company is the sole employer within the Group and pays for the majority of Group costs which are then recharged, as deemed appropriate, by management to People's Administration Services Limited, a subsidiary that performs the administration activities for the Company's products and who charge the Company an administration fee.

Principal activities

The principal activity of the Company is to operate insurance products for employees in the construction industry and to manage a product that is in run off. The products are as follows:

- Employee Accident Cover from B&CE (EAC) – a group accident scheme covering 114,975 construction employees (2022: 114,135).
- B&CE Term Life assurance – this product is no longer sold by the Company and is in run off with only a small number of policyholders remaining with the final policy term ending in 2028.

  These activities are expected to continue in future periods.

Key developments

The number of EAC policyholders has remained relatively stable through the year with a minimal amount of new business written. The premium levels for the EAC product remained unchanged during the year and the benefit rates remaining consistent at up to £40,000 for accidents. The Company has focused on meeting the requirements of the Consumer Duty Rules that were published in 2022 and has undertaken customer research to better understand customer behaviour and has made improvements to product literature and communication.

Key performance indicators

Key performance indicators for the Group are set and monitored at Group level. The ones applicable to the Company are:

1. The customer

The quality and accuracy of service and the overarching controls remained strong, evidenced by continued high levels of customer satisfaction and lower than benchmark recorded complaints. The Company's products are administered by People's Administration Services Limited (formerly B&CE Financial Services Limited) who monitor complaints from employers and members on a "per 1,000 policies" basis. Our key customer metrics have improved following increased staffing levels within customer service and has led to our 83% customer satisfaction rate (2022: 78%), being up by 3% against our target of 80%, and up by 5% on last year.

2. Operational efficiency / investment

Our Group unit cost for the year is below the end of year target and also the preceding year. We have remained efficient across the Group by investing in our operation, absorbing a 20% (2022: 30%) increase in transactions within the same broad cost base.

3. Value creation

The underlying performance of the business in the year was strong, delivering a pre-tax profit on the technical accounts of £336k (2022: £414k loss).

Strategic report for the year ended 31 March 2023 (continued)

Results

The Statements of comprehensive income for the year are set out on pages 15 to 17.

The total profit after tax for the year was £324k (2022: £465k loss). Some of the significant variances compared to last year include the following:

- The balance on the general business technical account, before tax, was a profit of £375k (2022: £264k loss):
  - Premium income increased to £575k in the financial year – the previous year, following FCA guidance, included the refund of 3 months of premiums to Employers. Excluding these refunds, premium income is in line with the previous financial year reflecting the fact that the business has a stable policyholder base which has not grown year-on-year.
  - Claims incurred during the year were £61k compared to £294k in the previous year – this was driven by a reduction in the provision for claims notified not yet processed. Claims payments to policyholders at £102k are in line with prior year payments of £113k.
  - Operating expenses allocated to the general business account reduced to £140k. This is a result of the reduction in the administration charge from People's Administration Services Limited (PASL) following the lower levels of administration activity required to service the business.
- The balance on the long-term business technical account, before tax, was a £39k loss (2022: £150k loss) with the key variances as follows:
  - Investment income has increased to £98k (2022: £21k) due to an increase in interest rates compared to the last financial year and active management of cash balances to increase returns.
  - Net operating expenses fell to £137k (2022: £166k) as less costs have been allocated to the long-term business technical account due to the small number of policyholders.
- Non-technical account investment income has increased to £199k (2022: £24k) driven by an improved interest rate landscape and a more active investment strategy to take advantage of this. Unrealised losses on investments was driven by a fall in value of the L&G Short Dated Sterling Bond Index Fund - the £59k loss compares to a loss of £122k in 2022. The investment strategy for the company continues to be assessed on an ongoing basis and aims to improve investment returns for the portfolio whilst ensuring that the Company maintains appropriate allowable capital under the Non-Solvency II firms sector of the PRA Rulebook (referred to as the "NDR" regime).

Capital

Since 1 April 2022 the Company is no longer subject to Solvency II regulations and now reports under the NDR regime under which the Capital Resources Requirement (CRR) for the Company is £5m which is made up of £3m for the Long-Term Fund ("LTF") and £2m for the General Fund ("GF"). From 1 April 2022 through to 22 June 2023, including as at 31 March 2023, the Long-Term Fund did not meet its capital requirements with a Financial Strength Ratio (FSR) of 50%. This position has now been rectified following a transfer of assets from the General fund on 22 June 2023. We are reviewing and updating our governance and control environment including the production of monthly capital calculations for both funds which will be reviewed by the senior finance team and the actuarial function holder with a summary of the results presented to the Board.

Future developments

The FCA released its Consumer Duty rules at the end of July 2022, aimed at setting higher and clearer standards of consumer protection across the financial services sector, and requiring firms to put their customers' needs first. The rules require that by October 2022, the firm's board or an equivalent body should have agreed the initial implementation plans, and provided evidence they have scrutinised and challenged the plans to ensure they are deliverable and robust. Following this they are required to complete the reviews necessary to meet the outcome rules for open products and identify where changes need to be made. Implementation of any required changes needs to be completed by July 2023. The products in scope are EAC, which has a compliance deadline of July 2023 and we are on track to meet this, and Term Life, with a compliance deadline of July 2024 - the extension is due to it being a closed product.

Strategic report for the year ended 31 March 2023 (continued)

Future developments (continued)

The rules define an overarching principle to deliver good outcomes for customers which is supported by three cross-cutting rules:

- Act in good faith towards retail customers;
- Avoid foreseeable harm to retail customers;
- Enable and support retail customers to pursue their financial objectives.

There are also outcomes featuring rules and guidance within four key areas which a firm needs to adhere to:

- Products and Services;
- Price and Services;
- Consumer Understanding; and
- Consumer Support.

For EAC and Term Life, an implementation plan and detailed gap analysis have been completed, evidencing adherence to each individual rule and identifying where work is required to adhere, as well as to improve, our customers' experience by the deadline.

Beyond regulatory work, the business is increasing its marketing activity in 2023/24. We will be carrying out some initial activity to understand the growth opportunity available, both through continuing our work with partners and with the Business Development team, and engaging with the membership base of The People's Pension. This is designed to drive an increase in the Company's customer base with a resultant increase in premium income in the General fund, as well as associated costs including an expected increase in the administration fee from People's Admistrations Services Limited.

Risk management

Our approach to risk management

The Board of Directors has responsibility for internal controls and risk management. The Board is committed to identifying, analysing, evaluating and managing risks and to implementing and maintaining control procedures to reduce significant risks to an acceptable level. To meet this responsibility, the Group has adopted risk policies for the Group and its subsidiary companies which are subject to the Board of Directors' approval and ongoing review by management.

The Group operates the three lines of defence risk governance model with clearly defined roles and responsibilities for individuals and committees, managing risk at business function level, through a risk oversight function and with independent assurance from our internal audit function.

Principal risks and uncertainties

The specific risks faced by the Company are driven by what the Group chooses to do and how we as a Company do it, as well as the wider environment in which we operate.

We focus on 3 risk categories at Group level:

- Operational. There are 5 main areas of operational risk:
  - The impairment or impediment of IT systems and infrastructure that can efficiently process transactions to the required degree of accuracy (a risk we manage by having controls in place to ensure the integrity and efficiency of systems - coupled with a comprehensive disaster recovery plan).
  - Cyber-attacks (which we manage through investment in staff training, IT security, IT systems and IT governance).
  - A material failure in business processes (which we manage through regularly reviewed core control processes).
  - An inability to recruit and / or retain motivated and talented staff members (managed through robust policies on issues such as diversity, equal opportunities, the provision of learning and development opportunities and regular reviews and monitoring).
  - Regulatory or legislative changes that could adversely affect the Group's or the Company's business. We operate in a highly regulated environment and work hard to ensure the organisation's voice, and therefore that of our members, is represented - and that we obtain fair warning of any changes that might necessitate alterations to systems or processes.

Strategic report for the year ended 31 March 2023 (continued)

Risk management (continued)

- Strategic

This is the risk that the Company could fail to communicate or implement its strategies effectively. The Company is focused on administering its EAC product and has a clear focus to deliver financial stability and customer satisfaction.

- *Financial*

The Company is exposed to a variety of financial risks. At a Group level, we review these risks on an ongoing basis and hold capital against them. We also stress test our resilience to financial risk. The principal risks are:

Insurance risk

Given the nature of the Company, we focus particular attention on insurance risk.

The Company seeks to take insurance risk, in the natural course of business, within the Board's risk appetite. There is a risk that the frequency, size and timing of claims on insurance policies varies from that expected, leading to an unexpected impact on financial return. These risks are managed in a number of ways – the Company regularly reviews its pricing strategy to ensure that products are priced fairly and reflect the risk that is underwritten. In addition, the operation applies controls to claims settlement. Reserving models are used to limit the potential impact of differences between claims outstanding reserves and the actual amounts eventually paid in the settlement of claims.

Market risk

The Company is exposed to interest rate risk in fixed interest securities, due to holdings in units in a corporate bond fund and cash fund. This risk is mitigated by the Company having access to fixed-term notice accounts that can reduce the exposure to this risk.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key areas the Company is exposed to with this risk are through reinsurers' share of insurance liabilities and through its holdings in units in a corporate bond fund. The creditworthiness of the reinsurers is reviewed on a regular basis by reviewing credit grades provided by rating agencies and other publicly available financial information. The risk related to the units in the corporate bond portfolio is mitigated by the Company having access to fixed-term notice accounts that can reduce the exposure to this risk.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to members as they fall due. The Company holds sufficient liquid assets to meet any general business claims that may arise and claims under long-term business are available on demand from the reinsurer at 90% of the claim. In addition, cash flow forecasts are prepared regularly to ensure that the Company has sufficient liquid funds to continue its operations. Further details of our financial risk management can be found in note 18 of the Notes to the financial statements.

Risk governance

<u>Enterprise risk management framework</u>

Our enterprise risk management (ERM) framework enables a holistic risk-based approach to managing our business. It integrates concepts of strategic planning and operational management into the following framework elements, all with a focus on customer outcomes:

- Strategic risk management
- Emerging risks
- Control processes
- Risk culture

Strategic report for the year ended 31 March 2023 (continued)

Risk management (continued)

Risk governance (continued)

Risk and control framework

Frameworks for risks and controls are key components of the ERM. The Company's success is dependent on the proper identification, assessment and ongoing management of risk. Risks are managed at the Group level and People's Partnership has established a framework of policies, procedures and internal controls that apply to subsidiary companies over the process of risk management and acceptance.

All risk policies are subject to the Board of Directors' approval and ongoing review by management and the risk management team.

The Strategic report was approved by the Board of Directors on 30 June 2023 and signed on its behalf by:

P Billingham
Director
30 June 2023

Patrick Heath-Lay
Director
30 June 2023

Directors' report for the year ended 31 March 2023

The Directors present their report and the audited financial statements for the Company for the year ended 31 March 2023.

Directors

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

The Board structure will remain sufficient in terms of number and quality of non-executives who are independent, and have an understanding of the firm's business to provide effective challenge to the executives.

Directors' liability insurance

The Directors have the benefit of an indemnity. This is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the year and at the date of approval of the financial statements. The third-party indemnity provides against liability incurred by the director to a person other than the company or an associated company.

Future developments

An indication of likely developments is given in the Strategic report.

Financial risk management

Financial risk management is discussed in the Strategic report and in note 18 of the Notes to the financial statements.

Dividends

The Directors do not recommend the payment of a final dividend (2022: nil).

Regulators

The Company is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2022: nil).

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Going concern

Following the transfer of assets from the General fund to the Long-Term fund on 22 June 2023 the company is now meeting its capital requirements, as explained in the strategic report on page 3. The Directors, therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. See the summary of significant accounting policies note on page 21 for further information.

Directors' report for the year ended 31 March 2023 (continued)

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that:

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

The Directors' report was approved by the Board of Directors on 30 June 2023 and signed on its behalf by:

P. Billingham

P Billingham
Director
30 June 2023

Patrick Heath-Lay
Director
30 June 2023

Company number: 03093365

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of B&CE Insurance Limited

KPMG

Independent auditor's report

to the members of B&CE Insurance Limited

1. **Our opinion is unmodified**

We have audited the financial statements of B&CE Insurance Limited ("the Company") for the year ended 31 March 2023 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Group Audit and Risk Committee.

We were first appointed as auditor by the directors on 19 November 2018. The period of total uninterrupted engagement is for the five financial years ended 31 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole		£184k (2022:£184k) 1% (2022: 1%) of net assets
Key audit matters		vs 2022
Recurring risks	Valuation of claims outstanding	◀▶

Independent auditor's report to the members of B&CE Insurance Limited (continued)

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2022) in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
Valuation of claims outstanding **(£213k; 2022: £254k)** *Refer to page 23 (accounting policy) and page 30 (financial disclosures).*	**Subjective valuation** The valuation of claims outstanding requires significant judgement and actuarial expertise. The calculation of the balance uses historical data and requires assumptions to be made as to whether past claims development experience can be used to predict future claims development. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 18) disclose the sensitivity estimated by the Company	We performed the tests as noted below rather than seeking to rely on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. We used our own actuarial specialists to assist us in performing the following procedures in this area. Our procedures included: — **Methodology assessment:** Challenging the reserving assumptions and methodology for reasonableness and consistency year on year for the future expected claims. — **Independent reperformance:** We have independently re-projected the classes of business to compute our own independent projection of gross reserves and compared these with the directors' own projections to assess their reasonableness. As part of this work we have compared the ultimate loss ratios against our own independently derived ultimate loss ratios and historical experience. — **Assessing transparency:** Assessing the Company's disclosures relating to claims outstanding and in particular in relation to the disclosure of key assumptions. **Our results** — We found the valuation of claims outstanding and the disclosure of claims outstanding to be acceptable (2022: acceptable).

KPMG

Independent auditor's report to the members of B&CE Insurance Limited (continued)

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £184k (2022: £184k), determined with reference to a benchmark of net assets, of which it represents 1% (2022: 1%).

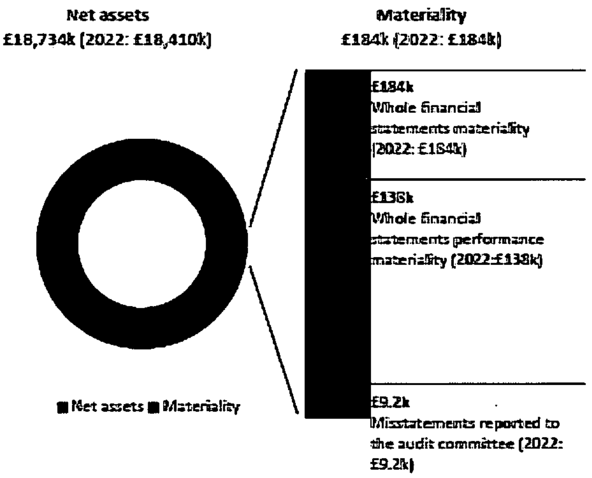
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £138k (2022: £138k). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Group Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £9.2k (2022: £9.2k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality and performance materiality levels specified above and was all performed by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the company's internal control over financial reporting.



4. Going Concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Company's available financial resources over this period was adverse impacts arising from fluctuations or negative trends in the economic environment which affects the valuations of the Company's investments.

We also considered less predictable but realistic second order impacts, such as failures of counterparties (such as banks) who have transactions with the Company to meet commitments that could give rise to a negative impact Company's financial position, whilst taking into consideration developments in the wider economic environment reflecting factors such as the war between Russia and Ukraine and its impact on economic volatility and market uncertainty, and other such macroeconomic events.

We considered whether these risks could plausibly affect the solvency and liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts. We also assessed the effect of the breach of capital resources and the actions taken by the Company in response to this matter, as disclosed in note 18 to the financial statements, on the Company's capital, this included agreeing the disclosed transfer from the General Fund to the Long Term Fund to external investment confirmations.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

KPMG

Independent auditor's report to the members of B&CE Insurance Limited (continued)

5. **Fraud and breaches of laws and regulations – ability to detect**

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the Group Audit and Risk Committee, internal audit, legal, risk and compliance and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, Group Audit and Risk Committee meeting minutes; and
- inspecting correspondence with regulators to identify instances or suspected instances of fraud.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements, such as the valuation of claims outstanding

Accordingly, we identified fraud risks related to the valuation of claims outstanding given their direct impact on the Company's profit and the opportunity for the directors to manipulate the assumptions due to the subjectivity involved.

Further detail in respect of fraud risk from valuation of claims outstanding is set out in the key audit matter disclosures in section 2 of this report.

On this audit we do not believe there is a fraud risk related to revenue recognition as there is limited judgement involved in the determination of earning patterns as all revenue is earned on a straightline basis and there is no significant element of estimated premium.

We also performed procedures including:

- Assessing significant accounting estimate for bias; and
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unauthorised personnel, those posted to seldom used accounts and those posted with unusual account combinations.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and have discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified regulatory capital and liquidity as those most likely to have such an effect recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the breach in the Long Term Fund capital requirement discussed in note 18 we assessed the disclosure against our understanding from correspondence with the regulator and considered the impact of this breach in our work over the directors' going concern assessment (see section 4 of this report).

We discussed with the Group Audit and Risk Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

KPMG

Independent auditor's report to the members of B&CE Insurance Limited (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

— we have not identified material misstatements in those reports;

— in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

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

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 9, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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

William Greenfield

William Greenfield

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E15 5GL

30 June 2023

Statement of comprehensive income: technical account - general business for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Earned premiums			
Gross premiums written		**575**	475
Change in the gross provision for unearned premiums		**1**	(1)
		576	474
Claims incurred			
Gross claims paid		**(102)**	(113)
Gross change in the provision for claims	5	**41**	(181)
		(61)	(294)
Net operating expenses	3	**(140)**	(444)
Balance on the general business technical account		**375**	(264)

All the above amounts derive from continuing activities.

The notes and information on pages 21 to 35 form part of these financial statements.

Statement of comprehensive income: technical account - long-term business for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Earned premiums, net of reinsurance			
Gross premiums written		**1**	1
Outward reinsurance premiums		**(1)**	(1)
		-	-
Investment income	6	**98**	21
Other technical income, net of reinsurance		**-**	-
		98	21
Claims incurred			
Gross claims paid		**-**	(5)
Net operating expenses	3	**(137)**	(166)
Tax credit attributable to the long-term business	7	**6**	36
Balance on the long-term business technical account		**(33)**	(114)

All the above amounts derive from continuing activities.

The notes and information on pages 21 to 35 form part of these financial statements.

Statement of comprehensive income: non-technical account for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Balance on the technical accounts			
General business		**375**	(264)
Long-term business		**(33)**	(114)
Tax credit attributable to balance on the long-term business technical account	7	**(6)**	(36)
Shareholders' pre-tax loss from long-term business		**(39)**	(150)
Shareholders' pre-tax profit/(loss) on the technical accounts		**336**	(414)
Investment income	6	**197**	24
		533	(390)
Investment expenses and charges			
Unrealised losses on investments	6	**(57)**	(122)
Other charges		**(75)**	(71)
		(132)	(193)
Profit/(loss) before tax		**401**	(583)
Tax (charge)/credit	7	**(77)**	118
Profit/(loss) for the financial year		**324**	(465)

All the above amounts derive from continuing activities.

There is no other comprehensive income for the year (2022: nil).

The notes and information on pages 21 to 35 form part of these financial statements.

Statement of financial position as at 31 March 2023

	Note	2023 £000	2022 £000
Assets			
Investment assets			
Other financial investments	10	**5,618**	5,675
Reinsurers' share of technical provisions			
Long-term business provision	12	**15**	15
		15	15
Debtors			
Other debtors		**74**	317
Other assets			
Cash at bank and in hand		**15,775**	14,224
		15,775	14,224
Prepayments and accrued income			
Other prepayments and accrued income		**78**	-
Total assets		**21,560**	20,231

The notes and information on pages 21 to 35 form part of these financial statements.

Statement of financial position as at 31 March 2023 (continued)

	Note	2023 £000	2022 £000
Liabilities			
Capital and reserves			
Called up share capital	11	**15,000**	15,000
Profit and loss account		**3,734**	3,410
Total shareholders' funds		**18,734**	18,410
Technical provisions			
Provision for unearned premiums		**22**	23
Long-term business provision	12	**18**	18
Claims outstanding - general business	18	**213**	254
		253	295
Provisions for other risks	13	**-**	16
Other creditors including taxation and social security		**2,285**	1,252
Accruals and deferred income		**288**	258
Total liabilities		**21,560**	20,231

The notes and information on pages 21 to 35 form part of these financial statements.

The financial statements on pages 15 to 35 were approved by the Board of Directors on 30 June 2023 and were signed on its behalf by:

P. Billingham

P Billingham
Director
30 June 2023

Patrick Heath-Lay
Director
30 June 2023

Company number: 03093365

Statement of changes in equity for the year ended 31 March 2023

	Called up share capital	Profit and loss account	Total
	£000	**£000**	**£000**
Balance as at 1 April 2021	15,000	3,875	18,875
Loss for the year	-	(465)	(465)
Total comprehensive loss for the year	-	(465)	(465)
Balance as at 31 March 2022	**15,000**	**3,410**	**18,410**
Profit for the year	-	**324**	**324**
Total comprehensive income for the year	-	**324**	**324**
Balance as at 31 March 2023	**15,000**	**3,734**	**18,734**

The notes and information on pages 21 to 35 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2023

1. General information

B&CE Insurance Limited (the Company) is a private company, limited by shares, incorporated and domiciled in England and Wales. The address of its registered office is Manor Royal, Crawley, West Sussex, RH10 9QP. The Company was a wholly owned direct subsidiary of People's Partnership Limited (the Parent Company) during the year. Collectively People's Partnership Holdings Limited (the Ultimate Parent Company) and all its subsidiaries are known as 'People's Partnership' or the 'Group'.

2. Summary of significant accounting policies

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

Basis of presentation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in "Critical judgements and estimates in applying the accounting policies" on page 25.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business which forms part of the Strategic report. The Strategic report also describes the financial performance of the Company and references:

- its objectives, policies and processes for managing its capital
- its financial risk management objectives
- details of its financial instruments
- its exposure to credit risk, liquidity risk and market risk.

Following the transfer of assets from the General fund to the Long-Term Fund on 22 June 2023 the company is now meeting its capital requirements, as explained in the strategic report on page 3. The Directors, therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements. The Directors have prepared forecasts for the Company, including its cash position, for at least 12 months from the date of signing of these financial statements. The Directors have also considered the effect upon the Company's business, financial position, solvency and liquidity of more pessimistic, but plausible, trends in its business using stress testing and scenario analysis techniques.

The scenarios tested showed that the Company will be able to operate at adequate levels of liquidity and solvency for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of People's Partnership Holdings Limited which are publicly available.

Notes to the financial statements for the year ended 31 March 2023 (continued)

2. Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity, the Company has taken advantage of the following exemptions in its individual financial statements:

i. from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102
ii. from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102
iii. from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Investment income

Investment income is accounted for on an accruals basis. Separate general and long-term investments are held with income, realised and unrealised gains/losses being allocated as follows:

- on long-term business investments to the technical account - long-term business
- on general business investments to the non-technical account.

Premiums

General business premiums written relate to business incepted during the year. All general business written is United Kingdom accident insurance. Premiums, gross of commission and net of insurance premium tax, are recognised when they become payable.

Unearned premium provision - general business

The unearned premium provision represents premiums written relating to unexpired future periods calculated on a time apportionment basis.

Net operating expenses

The Ultimate Parent Company pays for the majority of Group costs which are then recharged as deemed appropriate by management to People's Administration Services Limited, a subsidiary that performs the administration activities for the Company's products and who charge the Company an administration fee. All overhead costs in relation to the Company, including the administration fee from People's Administration Services Limited, are reported under operating expenses. This is considered to be the most appropriate allocation for disclosure purposes and understanding of the financial results.

Long-term business reinsurance contracts

B&CE Insurance Limited retain 10% of the long-term business, with the balance ceded to a reinsurer under a quota share agreement.

Tax

Tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated based on tax rates and laws that have been enacted or substantively enacted by the period end.

Notes to the financial statements for the year ended 31 March 2023 (continued)

2. Summary of significant accounting policies (continued)

Tax (continued)

(ii) Deferred tax

Deferred tax arises from timing differences between the taxable profits/losses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Claims outstanding

A provision is made for claims outstanding at the period end as follows:

General business – amounts are provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the end of the accounting period, including claims incurred but not reported and claims handling expenses, less amounts already paid in respect of those claims. Under the terms of the policies, all potential claims must be notified to the Company within 12 months of the insured event occurring.

Provisions are gross of any reinsurance recoveries.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. Bank overdrafts, where applicable, are shown within borrowings in current liabilities.

Shares and other variable yield securities and units in unit trusts

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 and disclosure requirements of sections 11 and 12 of FRS 102 in respect of shares and other variable yield securities and units in unit trusts.

(i) Classification

The Company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

The Company classifies its financial liabilities at fair value through profit or loss (FVTPL).

Notes to the financial statements for the year ended 31 March 2023 (continued)

2. Summary of significant accounting policies (continued)

Shares and other variable yield securities and units in unit trusts (continued)

(ii) Recognition and de-recognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset and liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Gains or losses arising from changes in the fair value are recognised in profit or loss within other income or other expenses.

Dividends and interest income on financial assets at fair value through profit or loss are recognised in profit or loss as part of revenue from continuing operations when the Company's right to receive payments is established.

Details on how the fair value of financial instruments is determined are disclosed in note 18 to the financial statements.

Financial liabilities designated as fair value through profit or loss on initial recognition are subsequently measured at fair value with all gains and losses being recognised in the statement of comprehensive income.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iv) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the receivable's credit rating), the reversal of the previously recognised impairment loss is recognised in Other comprehensive income.

(v) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements for the year ended 31 March 2023 (continued)

2. Summary of significant accounting policies (continued)

Critical judgements and key sources of estimation uncertainty in applying the accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

- Critical judgements

There are no critical judgements in these financial statements.

- Key sources of estimation uncertainty

There is uncertainty about the future claims experience in the general business provision. The Company's actuaries provide recommended assumptions for the Company to consider and agree for use in formulating the provision amounts.

Particulars of business – general business

All general business written in the current and prior financial years is in the accident and health class and is written solely in the UK. As the company only has one class of business all details of the general business account are included in the technical account - general business.

3. Net operating expenses

i) Net operating expenses:

	Technical account General business		Technical account Long-term business	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Administrative expenses	**140**	444	**137**	166
	140	444	**137**	166

Administrative expenses of £140K have decreased against prior year due to a reduction in the administration charge from People's Administration Services Limited (PASL) following a review of the administration activity required to service the business following closures of products over the last few years and declining new business volumes.

ii) Auditor's remuneration:

During the year the Company obtained the following services from the Company's auditor as detailed below:

	2023	2022
	£000	£000
Fees payable to the Company's auditor for:		
• the audit of the Company's financial statements	**92**	78
• audit related assurance services	**43**	-
	135	78

Audit related assurance services are in relation to the audit of the Non-Directive return.

Notes to the financial statements for the year ended 31 March 2023 (continued)

4. Reinsurance arrangements

Reinsurance arrangements are in force as follows:

- Term assurance – 90% quota share.

5. Gross change in the provision for claims

	2023	2022
	£000	£000
Claims incurred but not reported (IBNR)	**32**	36
EAC claims processed not paid	**(23)**	63
Claims notified not processed	**(48)**	83
Other	**(2)**	(1)
Total (credit)/expense	**(41)**	181

6. Investment return

	Non-technical account		Technical account Long-term business	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Investment income				
Income from financial assets at fair value through profit or loss	**197**	24	**98**	21
	197	24	**98**	21
Net unrealised losses on investments	**(57)**	(122)	**-**	-
Total investment return / (losses)	**140**	(98)	**98**	21

There was a further decline in the value of the L&G Short Dated Sterling Bond Index fund in the financial year ended 31 March 2023 leading to an unrealised loss on investments of £57k (2022: £122k). The overall fund value at March 2023 was £5.6m vs £5.7m at March 2022. The number of units held by the fund has however increased in the same period.

Notes to the financial statements for the year ended 31 March 2023 (continued)

7. Tax

(i) Tax on profit/(loss)

The tax expense for certain long-term business operations is attributable to shareholders and policyholders. The shareholders' portion of tax is determined using the long-term effective tax rate of the underlying business applied to the profits transferred to the non-technical account. A summary of the tax expense attributable to the long-term business technical account and shareholders' profits in the non-technical account is shown below.

(a) Analysis of tax (credit)/charge in the year:

	Technical account General business		Technical account Long-term business	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
UK corporation tax charge/(credit) on profit for the year	**83**	(82)	**10**	(6)
Tax (credit) in respect of previous periods	**-**	-	**-**	(10)
Origination and reversal of timing differences	**-**	-	**(16)**	(23)
Deferred tax charge in respect of previous periods	**-**	-	**-**	3
Tax (credit) attributable to the balance on the Long-term business technical account	**(6)**	(36)	**-**	-
Total tax charge/(credit)	**77**	(118)	**(6)**	(36)

(b) Factors affecting the tax charge for the year:

The effective tax rate for the year is higher (2022: lower) than the standard rate of corporation tax in the UK of 19%. The differences are explained below.

	2023	2022
	£000	£000
Profit/(loss) before tax	**401**	(583)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19%	**76**	(111)
Tax credit in respect of previous periods	**-**	(7)
Deferred Tax in respect of previous periods	**1**	-
	77	(118)

(i) Deferred tax

Deferred tax liabilities		
Fixed asset timing differences	**-**	1
Other timing differences	**-**	(17)
Net deferred tax liability	**-**	(16)

(ii) Factors affecting future tax charges

The main rate of corporation tax for the year ended 31 March 2023 is 19%. On 3 March 2021, the UK Budget included an announcement to increase the UK's main corporation tax rate to 25% from 1 April 2023, which was enacted on 10 June 2021. As a result, recognised and unrecognised deferred tax balances as at 31 March 2023 and 31 March 2022 have been valued to take into account the 25% rate where appropriate.

Notes to the financial statements for the year ended 31 March 2023 (continued)

8. Directors' remuneration

	2023 £000	2022 £000
Aggregate remuneration	**38**	112

The figures above comprise an apportionment of non-executive and executive Directors' remuneration in respect of their services to the Company during the year, all of which is paid by the Ultimate Parent Company.

The decrease in aggregate remuneration is due to the decrease in the number of directors who served during the year following a reduction in the size of the Board of the Company at the end of the previous year.

9. Employee information

The Company had no employees during the year (2022: nil). A proportion of the Ultimate Parent Company's employee costs in relation to the Company's activities is recharged to the Company.

10. Financial investments

	General		Long-term		Total	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Shares and other variable yield securities and units in unit trusts						
Purchase price	**5,718**	5,716	-	-	**5,718**	5,716
Carrying value	**5,618**	5,675	-	-	**5,618**	5,675

11. Ordinary shares

	2023 £000	2022 £000
Authorised 100,000,000 (2022: 100,000,000) Ordinary shares of £1 each	**100,000**	100,000
Allotted and fully paid 15,000,000 (2022: 15,000,000) Ordinary shares of £1 each	**15,000**	15,000

There is a single class of ordinary shares. There are no specific restrictions on the distribution of dividends and the repayment of capital other than those required by regulators or the Companies Act.

Notes to the financial statements for the year ended 31 March 2023 (continued)

12. Long-term business provision

The long-term business provision only applies to term assurance policies.

	2023 £000	2022 £000
Term assurance: gross provisions	**18**	18
Term assurance: reinsurer's share	**(15)**	(15)
	3	3

This is shown in the statement of financial position as:

	2023 £000	2022 £000
Long-term business provision	**18**	18
Reinsurers' share of provision	**(15)**	(15)
	3	3

The reserve for the term assurance business is made up of a net (of reinsurance) benefit reserve of £2,000 and an expense reserve of £1,000 as at 31 March 2023 (2022: £2,000 benefit reserve and £1,000 expense reserve).

The term assurance business is closed to new business and there are now very few in-force policies remaining which is reflected by the small benefit reserve. An additional expense reserve is held to cover the cost of expected future claims administration expenses for this business.

13. Provisions for other risks

	2023 £000	2022 £000
Deferred tax provision		
1 April	**16**	36
Credited to Statement of comprehensive income	**(16)**	(20)
31 March	**-**	16

The Company has a deferred tax asset of £1,000 (2022: £nil) in respect of fixed asset timing differences which has not been recognised given the uncertainty of future taxable profits against which these deductible timing differences can be utilised.

14. Ultimate Parent Company

The ultimate parent and the controlling party during the year was People's Partnership Holdings Limited, a company limited by guarantee and registered in England and Wales. The immediate parent company is People's Partnership Limited.

People's Partnership Holdings Limited is the parent of both the largest and smallest group of undertakings to consolidate these financial statements as at 31 March 2023. The consolidated financial statements of People's Partnership Holdings Limited are available from Company Secretariat at the registered office shown on page 1.

15. Related party transactions

In accordance with paragraph 33.1A of FRS 102, the Company is exempt, as a wholly owned subsidiary, from the requirement to disclose transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

Notes to the financial statements for the year ended 31 March 2023 (continued)

16. Assets attributable to long-term business

The assets of the Company which are attributable to the long-term business amounted to £6.9m (2022: £7.0m).

17. Financial instruments

The carrying values of the Company's financial instruments are summarised below:

	2023 £000	2022 £000
Measured at fair value through profit and loss		
• Shares and other variable yield securities and units in unit trusts	**5,618**	5,675

18. Risk management

The Company is exposed to a range of financial risks through its financial assets, reinsurance assets and policyholder liabilities. This section summarises these risks and the way the Company manages them. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company faces due to the nature of its investment and liabilities are interest rate risk and equity price risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions within an asset liability management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts.

a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(i) Frequency and severity of claims

The accident liability contracts frequency and severity of claims can be affected by several factors. The Company manages these risks through its underwriting strategy and proactive claims handling.

The concentration of accident insurance risk accepted is wholly within the United Kingdom and the Isle of Man. The carrying amount of outstanding claims arising from the accident insurance contracts is £212,668 (2022: £253,875).

Notes to the financial statements for the year ended 31 March 2023 (continued)

18. Risk management (continued)

a) *Insurance risk (continued)*

(ii) Sources of uncertainty in the estimation of future claims payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts are discussed in the Accounting policies.

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. Claim events covered by insurance contracts are required to be notified to the Company within a year of the event occurring and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees. Such awards are pre-determined lump-sum payments in accordance with the policy conditions and the headlines rate for Employee Accident Cover product is £40,000.

The Company takes reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for the costs of handling the claims at the end of the reporting year.

In calculating the estimated cost of unpaid claims (both reported and not), the Company estimates its liabilities based upon actual claims experience, using standard actuarial techniques where the historic average pattern of claims settlement is used to project future cash flows from claims that have occurred but not yet been settled. Greater weight is given to actual claims experience for each older year of cover deemed to not yet be fully settled. For more recent years of cover greater weight is placed on the overall experience derived from cohorts of business that are deemed to be fully paid. Benefits were uprated in February 2021 and the data relating to claims occurring prior to that date have been adjusted for use in the estimation process.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the specific claim event and its nature is available.

(iii) Sensitivity analysis

The following table presents the general business sensitivities on the insurance liabilities to movements in the assumptions used in the estimation of insurance liabilities. No discounting has been used because the run-off period is not long enough to warrant it.

	Number of IBNR claims +10%	**Number of IBNR claims -10%**
	£000	**£000**
At 31 March 2023		
Impact on profit after tax and equity	**11**	**(11)**
At 31 March 2022		
Impact on profit after tax and equity	11	(11)

(iv) Claim development tables

There are no material individual claims and open claims over 12 months old are immaterial. As a result, the Company has elected not to disclose claims development tables, as the uncertainty about the amount and timing of the claims payments is typically resolved within one year.

Notes to the financial statements for the year ended 31 March 2023 (continued)

18. Risk management (continued)

b) Market risk

Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The Company only holds units in a corporate bond fund and a cash trust.

A sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The following table presents interest rate sensitivities on the investment and cash assets of the Company.

A 1% increase in interest rates would have the below impact on profit after tax and equity from the investments in debt securities within listed funds without the Company disinvesting:

	2023	2022
	£000	£000
Decrease in profit after tax and equity	**(173)**	(109)

Equity price risk

The Company no longer holds equity securities so is not exposed to equity securities price risk.

c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key areas where the Company is exposed to credit risk is amounts due from corporate bond issuers.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	2023	2022
	£000	£000
Shares and other variable yield securities and units in unit trusts	**5,618**	5,675
Cash at bank and in hand	**15,775**	14,224
Total assets bearing credit risk	**21,393**	19,899
AAAm	**7,024**	19,432
AA-	**14,369**	467
Total assets bearing credit risk	**21,393**	19,899

No financial assets are past due or impaired at the reporting date and the Directors expect no significant losses from non-performance by these counterparties.

Notes to the financial statements for the year ended 31 March 2023 (continued)

18. Risk management (continued)

d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The Company holds sufficient liquid assets to meet any general business claims that may arise and claims under long-term business are available on demand from the reinsurer. The table below analyses the maturity of the Company's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis.

The amounts disclosed in the table represent undiscounted cash flows.

	No contractual maturity date	**< 6 months or on demand**	**Total and carrying value**
	£000	**£000**	**£000**
Financial and insurance liabilities			
At 31 March 2023			
Unearned premiums	-	22	22
Creditors	-	2,574	2,574
Financial liabilities	**-**	**2,596**	**2,596**
Term assurance provision	18	-	18
Claims outstanding	213	-	213
Financial and insurance liabilities	**231**	**2,596**	**2,827**

	No contractual maturity date	< 6 months or on demand	Total and carrying value
	£000	£000	£000
Financial and insurance liabilities			
At 31 March 2022			
Unearned premiums	-	23	23
Creditors	-	1,510	1,510
Financial liabilities	**-**	**1,533**	**1,533**
Term assurance provision	18	-	18
Claims outstanding	254	-	254
Financial and insurance liabilities	**272**	**1,533**	**1,805**

The majority of the claims outstanding balance is expected to settle within one year (2022: within one year).

Notes to the financial statements for the year ended 31 March 2023 (continued)

18. Risk management (continued)

Capital management

The Company maintains an efficient capital structure of equity shareholder funds, consistent with the Group's risk profile and the regulatory and market requirements of its business. The Group and the regulated entities within it are subject to several regulatory capital tests and employ a number of realistic tests to allocate capital and manage risk. The Group and the regulated entities within it have met all these requirements throughout the financial year.

Since 1 April 2022, the Insurance Company is no longer subject to Solvency II ("SII") regulations, following dialogue with the PRA around leaving the SII regime and reporting under the Non-Solvency II firms sector of the PRA Rulebook (referred to as the "NDR" regime). Therefore, the 31 March 2022 year-end was the last SII reporting requirements for the Insurance Company and the 31 March 2023 year-end is the first period reporting under the NDR regime as a non-Directive firm.

In reporting our financial strength, capital and solvency are measured using the regulations prescribed by the PRA under the NDR regime. Under NDR regime regulations, the CRR for the Insurance Company is £5m which is made up of £3m for the LTF and £2m for the GF, which is based on the Base Capital Resources Requirement for Long-Term and General Insurance business respectively as set by the PRA rulebook.

The Group's objectives in managing its capital are to:

- match the profile of its assets and liabilities, taking account of the risks inherent in the business
- maintain financial strength to support new business growth
- satisfy the requirements of its policyholders, regulators and rating agencies
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- allocate capital efficiently to support growth.

The available capital is subject to certain restrictions as to its availability to meet capital requirements. No transfer from the long-term fund can take place without an up to date actuarial valuation.

The majority of the surplus can be distributed to the shareholder subject to meeting the requirements of the business.

The capital held within the shareholder funds is generally available to meet any requirements. From 1 April 2022 through to 22 June 2023, including as at 31 March 2023, the Long-Term Fund did not meet its capital requirements with a FSR of 50%. This position has now been rectified following a transfer of assets from the General fund on 22 June 2023.

Notes to the financial statements for the year ended 31 March 2023 (continued)

18. Risk management (continued)

Fair value estimation

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an 'arm's length' transaction. Fair values are determined at prices quoted in active markets. The assets held under reinsurance contracts are fair valued by the reinsurer.

To provide an indication of the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into three levels.

Level 1 – Quoted price for an identical asset in an active market
Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – Price of a recent transaction for an identical asset
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Valuation technique i.e. internal models with significant unobservable market parameters
Inputs to level 3 fair value are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The Company did not have any such instruments.

The Company regularly assesses the classification of its assets. The following table presents the Company's assets measured at fair value at 31 March 2023 and at 31 March 2022.

		2023		
As at 31 March	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit or loss:				
- Shares and other variable yield securities and units in unit trusts	**5,618**	**-**	**-**	**5,618**
	5,618	**-**	**-**	**5,618**

		2022		
As at 31 March	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss:				
- Shares and other variable yield securities and units in unit trusts	5,675	-	-	5,675
	5,675	-	-	5,675

19. Guarantee

On 30 May 2022 a deed of termination was signed in relation to the guarantee of £10m to The People's Pension (held under the 2019 Financial Support Undertaking), an authorised master trust, in respect of the role of People's Administration Services Limited as administrator. A new Financial Support Undertaking has been signed (dated 30th May 2022) and no covenants, liabilities or obligations exist in relation to B&CE Insurance Limited under this new agreement.

20. Subsequent events

On 22 June 2023 a transfer of funds amounting to £2m from the General fund to the Long-Term fund was made to rectify a breach of the Capital Resources Requirement of the Long-Term fund as at 31 March 2023 and upto the date of the rectification.