Homecare Insurance Limited

Annual report and financial statements

For the year ended 31 December 2022

Company registration number: 02793290

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Company Information

Directors	D Bowling A Ferguson
Company secretary	S Atherton
Auditor	PKF Littlejohn LLP 3rd Floor One Park Row Leeds LS1 5HN United Kingdom
Registered office	6 East Parade Leeds LS1 2AD United Kingdom
Registered number	02793290

Strategic Report

Review of the business

The principal activity of Homecare Insurance Limited (the Company) during the year was Identity Protection insurance in the UK. The Company is authorised and regulated by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA). The Company is part of an insurance group for regulatory purposes with Homecare (Holdings) Limited being the immediate parent holding company. The ultimate parent company of the Company is CPPGroup Plc (Group).

The Company continues to operate under the agreed Voluntary Variation of Permissions (VVOP) restrictions which only allows the renewal of existing polices and limited new underwriting, however no new underwriting has been undertaken since the VVOP was put in place. The Company has been operating under these conditions since 2013 and therefore has a book of policies that has been naturally declining. The Company's earned premiums have decreased by 54% year-on-year (2021: 37%), however when you strip out a one-off £50,000 Insurance Premium Tax (IPT) release, this becomes an 85% decrease year-on-year. Net operating expense decreased 71% (2021: 39%) reflecting the declining policy book and a full year of a contract structure change which took place in February 2021. The contract structure change resulted in the Company now only being responsible for the insurance component of the product with an associated group company, Card Protection Plan Limited (CPPL) taking responsibility for the assistance and servicing elements of the product and their associated costs. The new contractual structure has reduced the gross written premium that the Company receives along with an associated reduction in operating costs.

Details of the results for the year are set out on pages 12 to 24 and show a profit before taxation of £509,000 (2021: £1,046,000). When the one-off IPT release is removed, this becomes £459,000.

The Company continues to focus on maintaining service levels, managing complaints, and ensuring its claims management processes are suitable for its existing customers. The Company, in line with its strategy of managed decline, continues to monitor the Identity Protection product and associated policy holders.

In 2022, the business continued to be profitable reflecting revised underwriting rates, the mature declining book with steady claims ratios and well controlled administrative costs. Operational expenses have decreased 71% to £198,000 (2021: £680,000), as a result of the contractual structure change and additional cost saving measures and are expected to continue to reduce.

Dividends totalling £13,033,000 were paid during the year (2021: £nil). The Company undertook an exercise to restructure its balance sheet which included a reduction in share capital from £6,000,000 to £1 and settlement in full of its intercompany receivables (2021: £10,992,000). This exercise enabled the dividend payments that were settled both in cash and in specie. Subsequent to the balance sheet date no dividends have been declared.

The insurance group, of which the Company is the regulated entity, continues to operate under the Solvency II directive and has maintained capital resources greater than the regulatory capital requirements throughout the year. The surplus capital position is expected to continue, and the Board of Directors regularly review Homecare's regulatory position against its business strategy. Consideration continues to be given to the size of the existing policy base and the lower risk profile of the book.

The Group has a £5,000,000 banking facility in place to August 2023. Although the Company has access to its own funds and is not reliant on Group financing, the banking facility provides security for shared infrastructure and increased confidence in the business.

The Company continues to operate intra-group outsourcing arrangements which are in line with regulatory practice. The Company also takes advantage of the Group business continuity plans, which it has access to as an individual firm or as part of the wider Group.

The composition of the Company Board is regularly reviewed to ensure it meets its responsibilities aligned to its strategy, risk profile and size. The Company continues to comply with the necessary regulations and has specifically taken account of the Insurance Distribution Directive (IDD) and the Senior Managers Certification Regime (SMCR) to ensure regulatory compliance. This includes completing the Operational Resilience Plan, which was put in place as at 31st March 2022.

Post year end, the Company received notification from HMRC, that an IPT liability of £210,000, which had been in dispute, was no longer payable. This has been considered an adjusting post balance sheet event, and the financial statements reflect this adjustment. The adjustment comprises reducing the IPT liability by £210,000, increasing the intercompany payable by £160,000 with CPPL, increasing revenue by £50,000 and associated corporation tax by £10,000.

Strategic report (continued)

Key performance indicators

Non-financial key performance indicators

	2022	2021
Live policy volumes ('000)[1]	44	53

1. Live policy volumes represent the total number of active policies (both retail and wholesale) that provide continuing care or services to policy holders.

Financial key performance indicators

	2022	2021
Gross premiums written (£'000)[1]	247	539
Claims %[2]	0.4%	1.3%
Underwriting profit %[3]	25.1%	128.7%
Profit before tax (£'000)[4]	509	1,046
Profit before tax %[5]	206.1%	194.2%

1. The accounting policy for gross premiums written is set out in note 2 to the financial statements.
2. Claims % is the ratio of claims incurred to net earned premiums. The claims ratio has decreased in the year at 0.4%. (2021: 1.3%) due to the higher unearned premium release in 2021.
3. Underwriting profit % is the ratio of underwriting profit (see note 4 to the financial statements) to gross written premiums. This ratio has decreased significantly. While gross premiums written has decreased less than the cost base due to the one off IPT release (54% versus 71%), the change in provision for unearned premiums has decreased 98%, which factors into the total underwriting profits and contributes to the decline in this ratio measure. This is expected to continue at the lower, rebased % in future.
4. Profit before tax represents net earned premiums less total costs to the Company, which has fallen due to the contractual structure change both from an net earned premiums and associated costs perspective.
5. Profit before tax % is the ratio of profit before tax compared to gross written premiums. This has increased in the year, as despite a fall in the underwriting profit ratio, the non-technical account has had higher investment income and other interest receivable which is measured against the base of lower net earned premiums.

Section 172 Statement

The Directors fully understand their responsibilities under section 172(1) of the Companies Act to promote the success of the Company for the benefits of its members, having regard amongst other matters to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company in maintaining a reputation for high standards of business conduct; and
- the need to act fairly between all members of the Company.

The Board confirms that, during the year, it has had regard to the matters set out above. The Board has identified its key stakeholders which are set out below, along with details of the forms of engagement undertaken by the Board.

Our customers
Whilst we have outsourced our servicing responsibility, the legal and regulatory responsibility for our customers remains. Considering fair customer outcomes is at the heart of what we do and our policies and contracts ensure that customers have continuing access to high levels of service.

The regulator
The Company is regulated by the PRA and FCA and retaining these regulatory permissions ensures that the Company can continue to trade. The Company ensures it maintains it's Minimum Capital Requirement (MCR) and submits regulatory returns on time. The Company is open and transparent about its future plans with the Regulator, given the declining nature of the policy book.

Strategic report (continued)

Principal risks and uncertainties

The Company operates an outsourcing model where it receives its operational and administrative services from other Group companies. These are covered by appropriate contracts with each outsource partner, which are reviewed annually.

The Company, in combination with its Group outsourced partners and control functions, recognises the importance of having an open and honest culture which encourages debate and discussion across all levels of the three lines of defence on the issues and risks affecting the business.

The Group's risk management framework enables risks to be managed and reported consistently and objectively. This assists in managing the Company's risks in a sustainable and controlled way and helps to inform risk-based decisions.

Internal control and oversight

The Company is responsible for the identification and management of all risks, with oversight and challenge from the Group's control functions, with review independently provided by Group Internal Audit.

The Board has overall responsibility for the Company's system of internal control and for monitoring its effectiveness. The Board oversees the system of internal control and the risk management framework ensuring material risks, control matters and business reporting are evaluated and assessed appropriately. Its assurance is gained from the reporting provided to the Board on a quarterly basis, overseeing the system of internal control and the risk management framework.

Risk library

The risk library supports the risk framework and allows risks to be discussed consistently.

The library consists of a hierarchy of risk levels, with each level representing further granularity. Level 1 represents the highest level of risk reporting for the Company and the Group. The Company has five principal risks: financial; business; operational; conduct and pandemic (see page 4-5). The principal risks are further subdivided to provide granularity and enabling the assessment of specific risks.

Risk & Control Self-Assessment (RCSA)

Central to the risk framework is the ability to identify and measure risks and controls and put in place appropriate actions to manage them. In addition to close ongoing contact with partners, regular RCSA discussions take place with the Group senior management to ensure that material risks have been appropriately identified and accurately reported.

The Company performs quarterly assurance dashboard reporting which strengthens monitoring of prudential and operational risks, and it allows the provision of a more holistic view to the risks impacting the Company and the wider Group.

Financial Risks

The Company is regulated by the PRA and, as a result, its key financial risks include credit, market, liquidity and insurance risks. More specifically, the following are areas of focus:

- Holding sufficient regulated funds in line with all solvency requirements as set out by the PRA Prudential regulations;
- Sufficient cash available to settle claims and other liabilities as they fall due;
- Underwriting risk (arising from inadequate forecasting of future claim volume and severity); and
- Exposure to intercompany counterparty risk (credit risk).

These prudential risks are monitored with steps being taken to actively manage them as appropriate, key mitigating actions are:

- Capital and credit risk: The intercompany balances are assessed for overall recoverability on a quarterly basis in line with the SCR calculations. Assets invested are in line with "Prudent Person Principle" that ensure security, liquidity and profitability. The Company's business strategy of managed decline has, actively managed the credit risk for inter-company related debtors and compliance with the policy on investments. Regular financial reviews are carried out on counterparties. Management reviews the balances held with counterparties and investments which seek to manage credit risk. An annual Own Risk Solvency Assessment (ORSA) is conducted including applying stress testing to assess the adequate level of capital required. The Company continues to ensure it has sufficient regulated funds in line with all solvency requirements as set out by the PRA Prudential regulations.

- Liquidity risk: The treasury function, which is outsourced from the wider Group, is responsible for reviewing the expected future cash needs of HIL and across the Group on a monthly basis to ensure availability of liquidity. The Company ensures it maintains adequate reserves and banking facilities. The Company closely monitors cash flow and has access to cash flow forecasts in order to manage likely cash requirements. The overall liquidity profile remains stable and positive.

- Underwriting risk: The Company uses historic claims data to predict future claims reserves, based on claims still outstanding as at the end of the month and year. The Company's underwritten insurance policies are relatively short term (mainly annual products) which helps the Company maintain solvency cover and ensures that policyholders continue to be protected.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Climate Change Risk

Climate change risk: In accordance with SS3/19 issued by the PRA, the Company considers the biggest potential financial impact of Climate change risk to be through extreme weather, as the Identity Protection Product does not insure climate related risks. The Company has a business continuity plan to manage extreme weather impacts on the ability to service customers, which is largely done through outsource partners. The Company monitors the outsource partners business continuity planning, through the wider Group risk and compliance monitoring.

Business Risks (external environment)

This risk mainly relates to inappropriate business or strategic choices, changes within its internal or external operating environment, exposure to the macro-environment and the competitive environment.

The Board considered external factors, such as inflation and the war in Ukraine where it may impact specifically on financial risk. The Company has remained profitable and continues to have significant cash reserves, therefore there was no material increase in financial risk as a result of external factors. The Company continues to monitor external factors to assess the level of risk to the Company.

Conduct Risk

This risk relates to the conduct of the Company, its products and services and its partners which could result in the Company not meeting the needs and expectations of its customers. The Company promotes a strong customer-centric, compliance focused culture, whilst valuing good relationships with its regulators. As the Company operates an outsourced model, conduct risk is a key component of its oversight, governance and reporting. Regulatory and legal change (from a conduct risk perspective) is monitored by the Board supported by the necessary outsourced control function resources.

The Company continues to take steps to review its products and service delivery and strengthen them as applicable.

Operational Risk

There are a number of key operational risks that the Company considers to be of most relevance and monitors on a regular basis through its risk management framework. This is supported by a risk and management approach as well as an incident management process. Operational risks outside appetite are regularly reviewed with tracking of mitigating actions by the Board. The key operational risks are:

- Outsourcing: This is about the ability to effectively manage our third parties and intragroup arrangements which could result in disruption to business operations, regulatory impact and customer harm. Considering the Company's outsourced business model, this is the primary operational risk. This risk, and the sub-operational risks below (Information Security and Cyber, Change and Regulatory Environment), continue to be monitored as part of the monthly review with another group company, Card Protection Plan Limited and other Group companies in line with the Outsourcing oversight process.

- Information Security and Cyber: This is the risk that the Company's data is lost, stolen, inappropriately changed or misused i.e., this is about the safety and 'lock down' of the data from an IT infrastructure perspective, the Group operates within the ISO 27001 based framework and associated relevant controls as well as being PCI-DSS compliant. The core infrastructure sits within a robust, PCI compliant third-party infrastructure. The Company as part of the Group and having a contract to secure these services enables the Company to benefit from this governance.

- Change: The Company continues with its business change programme focusing on product, IT platform and service delivery enhancements. The Board is actively involved with the project and decision making. Additional Group resource has been secured to support, where required, through any increased activity resulting from of the Change programme.

- Regulatory Environment: Regulatory and legal change is monitored by the Board supported by the necessary Group control functions. The Board has sought to mitigate any regulatory risk through further enhancement of its risk compliance and governance processes.

Approved by the Board on 18 May 2023 and signed on its behalf by:

D Bowling
Director

Directors' Report

The Directors present their Annual report and audited financial statements of the Company for the year ended 31 December 2022.

The Strategic Report on pages 2 to 5 provides further information on the Company's activities in relation to principal risks and uncertainties, future developments and dividends paid and forms part of this report by cross reference.

Going concern

The Directors have carefully considered uncertainties linked to the current economic environment, together with the risks and uncertainties detailed in this report and the Company's position with the PRA and FCA.

The Company is able to access its own funds and is therefore not reliant on Group funding to continue business operations and comply with its externally imposed minimum capital and solvency requirements. Although not reliant on Group funding the Company does utilise the Group's operational infrastructure. The Company has in place a business continuity plan (BCP) involving using the Group BCP facilities of which the Company is a party. The Company also has an independent disaster recovery plan (DRP) with sufficient capital to action the plan if necessary. The view of the Directors is that in the event of the Group's operational infrastructure being unavailable to the Company, for example if the Group, or entities within it, were to enter into administration, the Company could invoke its DRP to allow it to run off in a solvent and orderly fashion. The Group is operating from a stable financial platform and its forecasts show that the Group has the necessary resources to trade and operate within the level of its borrowing facilities. The Group's forecast profitability and cash flow projections are subject to robust downside stress testing involving modelling the impact of a combination of plausible adverse scenarios. The DRP is therefore considered unlikely to be invoked.

In assessing the direct and indirect financial impact of the above on the Company on a stand-alone basis, the Directors have modelled a range of stressed scenarios on its profitability, cash flows and capital position, and are satisfied that these do not present a risk to going concern.

After assessing the extent to which the above factors might affect the preparation of the financial statements on a going concern basis and the current and forecast performance, including regulatory capital requirements under normal and stressed scenarios, the Directors have determined that it is appropriate to prepare the financial statements on the going concern basis.

Directors

The Company has not entered into any qualifying third-party indemnity arrangements for the benefit of its Directors.

The Directors set out below have held office during the year and up to the date of signing these financial statements:

G Sidle (resigned 7 June 2022)
A Ferguson
D Bowling (appointed 7 June 2022)

Company secretary

The company secretary holding office during the year and up to the date of signing of these financial statements is as follows:

S Atherton

Insurance

The Company has appropriate insurance cover in place in respect of any potential litigation against Directors.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

Directors' Report (continued)

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Each of the persons who is Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PKF Littlejohn LLP have indicated their willingness to be reappointed for another term, following a competitive tender process in the year, and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 18 May 2023 and signed on its behalf by:

D Bowling
Director

Independent auditor's report to the members of Homecare Insurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Homecare Insurance Limited (the 'Company') for the year ended 31 December 2022 which comprise:

- the Income statement: technical account – general business;
- the Income statement: non-technical account;
- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in equity; and
- Notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- A comparison of actual results for the year to past budgets to assess the forecasting ability/accuracy of management;
- Reviewing the two-year plan until 31 December 2024 prepared by management for the period, providing challenge to key assumptions and reviewing the reasonableness of the following:
    - accuracy of the two-year plan until 31 December 2024 by comparing the forecasts to post year end management accounts; and
    - substantiating the forecasts' significant inputs with supporting documentation.
- Review of the Company's correspondence with regulators up to the date of signing our audit report;
- Review of the going concern disclosures in the financial statements for the year ended 31 December 2022 and its supporting documents;
- Assessment of the risks faced by the Company, which include:
    - credit risk, liquidity risk, currency risk, funding risk and capital risk (including minimum solvency capital requirements);
    - operational resilience and business continuity plans;
    - ability to continually provide services to customers; and
    - compliance with regulations; and
- Reviewing copies of ORSA and Solvency II reporting submitted during and post-year end.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Our application of materiality

The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the Company's financial statements was £56,200 (2021: £77,000), based on 2% of net assets (2021: 0.5% of net assets). We based the materiality on net assets with an increase in our benchmark % to reflect our second year of engagement and taking into consideration that the business of the Company is in managed decline, with no new business being written and only existing policies being renewed due to restrictions imposed by the regulatory body.

The performance materiality was £44,960 (2021: £54,000). We set performance materiality at 80% (2021: 70%) of overall financial statement materiality to reflect the assessed risk associated with the judgemental and key areas of management estimation within the financial statements and our understanding of the overall control environment of the Company. We agreed with those charged with governance that we would report all differences identified during the course of our audit in excess of £2,810 (2021: £3,895).

No significant changes have come to light through the audit fieldwork which has caused us to revise our materiality figure.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

In particular we looked at areas involving significant accounting estimates and judgements by the Directors and considered future events that are inherently uncertain. We have identified Revenue recognition as a significant risk and key audit matter during the year – details relating to key audit matters are provided in the following section of our report. As in all of our audits, we also addressed the risk of management override of internal controls, including, amongst other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

In addition, we performed a combination of substantive, analytical and confirmation procedures to address the risks of material misstatement for each financial statement line item.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our scope addressed this matter**
Revenue recognition	
Under ISA (UK) 240 there is a rebuttable presumption that revenue recognition is a fraud risk. The Company underwrites Identity Protection insurance and recognises revenue under IFRS 4 *Insurance Contracts*, totalling £0.26m in 2022 (2021: £1.39 million). The recognition of revenue under IFRS 4 involves the application of significant judgements, in particular determining the appropriate level of revenue deferred where the firm has future servicing obligations to its customers. There is also a potential risk of fraud inherent in the application of judgement in relation to revenue recognition due to the material impact and sensitivity of the Company's revenue and profit within the Income Statement. In addition, the completeness and accuracy of revenue, in particular the quantification of revenue journals posted to the general ledger, is reliant on the automated controls relating to the Company's core administration system, operating effectively. The Company's accounting policy is detailed in Note 2 of the financial statements contained on page 16, and the Company's revenue balance disclosed in Note 3 on page 18.	We have carried out the following procedures: • documented our understanding of the internal control environment in operation in relation to revenue recognition and undertook walkthroughs to gain assurance that the key controls within these processes have been operating in the period under audit; • challenged the assumptions and judgements made by management in recognising the income for the year; • used data analytics to perform analytical procedures and independent re-calculation of the income recognised in the year; • performed substantive tests of detail in order to audit gross written premium for the year; • worked with IT specialists to ensure the completeness of the data used by management in the calculation of the income for the year; and • assessed the appropriateness of the parent entity's allocation of revenue between group companies and whether the accounting for revenue by the Company was compliant with the requirements of IFRS 4. We considered that the revenue recognition policies applied by management are in line with IFRS 4, and the revenue recognised is reasonable.

Independent auditor's report to the members of Homecare Insurance Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Auditor's responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Company in this regard to be those arising from the Companies Act 2006, FCA Handbook, PRA Rulebook and Solvency II.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Company with those laws and regulations. These procedures included, but were not limited to:
  - discussions with management regarding potential non-compliance;
  - review of legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
  - review of minutes of meetings of those charged with governance.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that potential for management bias was identified in relation to the revenue recognition policy of the Company and, as noted above, we addressed this by challenging the assumptions and judgements made by management when auditing that critical accounting judgement.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and review of bank statements during the year to identify any large and unusual transactions where the business rationale is not clear.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Other matters which we are required to address

We were appointed by the Audit Committee on 11 November 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering the year ended 31 December 2021 to 31 December 2022.

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

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

M.R. Watson

Martin Watson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
3rd Floor, One Park Row, Leeds, United Kingdom
18 May 2023

Income statement: Technical account – General business

	Note	2022 £'000	2021 £'000
Earned premiums			
Gross premiums written	3, 4	247	539
Change in the provision for unearned premiums			
Gross amount	11	14	853
Earned premiums		261	1,392
Claims			
Claims paid			
Gross amount paid		(1)	(4)
Change in provision for claims			
Gross amount	11	-	(15)
Claims incurred		(1)	(19)
Net operating expenses		(198)	(680)
Balance on technical account for general business	4	**62**	**693**

Income statement: Non-technical account

	Note	2022 £'000	2021 £'000
Balance on technical account - general business		**62**	**693**
Other interest receivable	7	425	352
Exceptional Items	6	(16)	-
Investment income	7	38	1
Profit before tax	5	**509**	**1,046**
Taxation	10	(91)	(198)
Profit for the financial year		**418**	**848**

All amounts related to continuing activities.

The notes on pages 16 to 24 form an integral part of these financial statements.

Statement of comprehensive income

	2022 £'000	2021 £'000
Profit for the financial year	418	848
Items that may subsequently be reclassified to income statement		
Exchange rate gain/(loss)	1	(3)
Other comprehensive income/(expense) for the year	1	(3)
Total comprehensive income for the year	**419**	**845**

The notes on pages 16 to 24 form an integral part of these financial statements.

	Note	2022 £'000	2021 £'000
<u>Assets</u>			
Investments	12	2,513	2,505
Cash at bank		932	2,633
Amounts due from immediate parent undertaking	16	-	1,689
Amounts due from Group undertakings	17	-	9,303
Other prepayments and accrued income		30	13
Total assets		**3,475**	**16,143**
<u>Liabilities and Shareholders' Equity</u>			
Capital and reserves			
Share capital	13	-	6,000
Retained earnings		2,835	9,449
Equity shareholders' funds		2,835	15,449
Technical provisions			
Provision for unearned premiums	11	68	82
Claims outstanding	11	15	15
		83	97
Creditors arising from direct insurance operations		-	6
Other creditors including taxation	14	144	271
Amounts due to Group undertakings		284	171
Accruals		129	149
Total liabilities and Shareholders' Equity		**3,475**	**16,143**

The notes on pages 16 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 18 May 2023 and were signed on its behalf by:

D Bowling
Director

Company registration number: 02793290

Statement of changes in equity

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2021		**6,000**	**8,604**	**14,604**
Profit for the year		-	848	848
Other comprehensive expense for the year		-	(3)	(3)
Total comprehensive income for the year		-	845	845
At 31 December 2021		**6,000**	**9,449**	**15,449**
Profit for the year		-	418	418
Other comprehensive income for the year		-	1	1
Total comprehensive income for the year		-	419	419
Share capital reduction	13	(6,000)	6,000	-
Dividends paid	16	-	(13,033)	(13,033)
At 31 December 2022		**-**	**2,835**	**2,835**

The notes on pages 16 to 24 form an integral part of these financial statements.

Notes to the financial statements

1. General information

Homecare Insurance Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 5. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. These financial statements are separate financial statements and are rounded to the nearest £1,000.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the Financial Reporting Council (FRC) in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

2. Accounting policies

The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated accounts of CPPGroup Plc. The consolidated accounts of CPPGroup Plc are available to the public and can be obtained as set out in note 18.

The following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

Standard/Interpretation	Subject
IAS 37	Onerous contracts: Directly related costs are considered when determining if a contract is onerous, including incremental costs of fulfilling a contract and allocation of other direct costs.
IFRS 1	Subsidiary as a first time adopter.
IFRS 9	Fees in the 10 per cent test for derecognition of a financial liability.

All new or amended standards and interpretations applied for the first time in the period commencing 1 January 2022 have not impacted the amounts recognised in prior periods.

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective and have been endorsed for the UK:

Standard/Interpretation	Subject	Period first applies (year ended)
IAS 1	Classification of Liabilities as Current or Non-Current	31 December 2023
IAS 8	Definition of accounting estimates	31 December 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	31 December 2023
IFRS 17	Insurance contracts	31 December 2023

The Company has assessed the standards not yet applied and have determined that IAS 1, IAS 8 and IAS 12 will not have a material impact to the Company's current accounting policies. The Company is still assessing the impact of IFRS 17 and expects to have concluded this work in the first half of 2023.

The financial statements are prepared in accordance with applicable law and FRS 101, as adopted under the United Kingdom accounting standards and under the historical cost accounting rules as modified by the revaluation of investments. The accounting policies adopted have been used consistently in both the current and preceding year.

As detailed in the Directors' Report after consideration of current and forecast performance, including regulatory capital requirements, the Directors have chosen to prepare the financial statements on the going concern basis.

The particular accounting policies adopted are described below.

Premium recognition
The annual basis of accounting is applied. Under the annual basis of accounting, written premiums comprise the premium on contracts incepting in the financial year. Identity protection written premiums are stated exclusive of taxes and duties levied on premiums.

2. Accounting policies (continued)

Claims incurred
Claims incurred comprise all claim payments and internal settlement expenses and the movement in the provision for outstanding claims and settlement expenses, including an estimate for claims incurred but not reported.

Claims outstanding
Provision is made for outstanding claim and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the claims. Provisions for claims outstanding are based on information available to the Directors and the eventual outcome may vary from the original assessment.

Investments
All investment income is recognised in the non-technical account. Investments are stated at market value. Investment income comprises of interest, realised gains and losses on investments and amortisation of redeemable fixed interest securities.

Interest is recognised on an accruals basis. Realised gains or losses represent the difference between the net sale proceeds and purchase price or, for investments valued at amortised cost and previously revalued, their valuation at the last balance sheet date. Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

Pension cost
Pension costs represent contributions made by the Company to the defined contribution Group Personal Pension Plan in respect of employees.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation
In accordance with FRS 101, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered.

Intercompany loans
Intercompany loans are initially recorded at fair value and subsequently held at amortised cost using the effective interest method, less any allowance for irrecoverable amounts. Any estimated irrecoverable amounts are recognised in profit or loss. In accordance with IFRS 9, the Company recognises a lifetime expected credit loss (ECL) when there has been a significant increase in credit risk since initial recognition. The assessment of lifetime ECL considers all possible default events over the expected life of the intercompany loan.

Financial Instruments
Trade receivables, loans, other receivables or cash and cash equivalents that have fixed or determinable payments that are not quotes in an active market are initially recorded at fair value and subsequently held at amortised cost using the effective interest method, less allowance for any estimates irrecoverable amounts.

Financial liabilities, including borrowings, are initially measured at the proceeds received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Foreign currencies
Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Translation differences arising are dealt with in the income statement.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the overseas operations are reported in the statement of comprehensive income. All other exchange differences are included in the income statement.

Dividend distribution
Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Directors.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Key assumptions and sources of estimation uncertainty
In the application of the Company's accounting policies, as described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. For the year ended 31 December 2022, the level of material assumptions and estimation uncertainty is deemed to be minimal.

Assumptions and estimation uncertainty

Provisions
A provision is made for outstanding claim and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the claims. Provisions for claims outstanding are based on information available to the Directors and the eventual outcome may vary from the original assessment.

3. Segmental analysis

Gross premiums written	**2022**	**2021**
	£'000	**£'000**
Geographical analysis:		
UK	247	542
Europe	-	(3)
	247	539
Class of business:		
Assistance products and services	247	539
	247	539

A segmental analysis of net assets by class of business is not provided as it is felt that no satisfactory allocation can be made.

4. Underwriting profit

The underwriting profit (represented by the balance on the technical account) by class of business is made up of:

	Total General Business Insurance	
	2022	**2021**
	£'000	**£'000**
Gross written premium	247	539
Gross earned premium	261	1,392
Gross claims incurred	(1)	(19)
Net operating expenses	(198)	(680)
Underwriting profit	62	693

The General Business Insurance predominately represents Identity Protection.

Gross claims of £1,000 relate to Identity Protection (2021: £19,000).

Notes to the financial statements (continued)

5. Operating profit

Operating profit is stated after charging:

	2022 £'000	2021 £'000
Fees payable to Company's auditor for audit of the Company's accounts	38	29

6. Exceptional Items

Customer redress credit	(14)	-
Redundancy costs	30	-
	16	-

Customer redress credit relates to the release of uncashed redress cheques, which are out of time (2021: £nil).

7. Investment and other interest receivable

	2022 £'000	2021 £'000
Bank account interest	30	-
Interest income on short term cash deposits	8	1
Total investment income	38	1
Other interest income and intercompany interest	425	352

8. Directors' Emoluments

The total emoluments and fees of the Directors in the year were £129,000 (2021: £210,000). The highest paid Director received emoluments of £109,000 (2021: £181,000) for the year ended 2022. Included in the highest paid Director's total remuneration is £30,000 (2021: £nil) in relation to redundancy pay, which is included within exceptional items (note 6).

There was one (2021: one) Director accruing benefits under money purchased pension schemes of £7,000 (2021: £15,000). This Director left the business during the year.

9. Employee information

	2022 Number	2021 Number
The average number of persons directly employed by the Company (including Executive Directors) during the year was as follows:	1	1

	2022 £'000	2022 £'000
Wages and salaries	93	218
Social security costs	13	28
Pension costs	7	15
Redundancy costs (note 6)	30	-
	143	261

Notes to the financial statements (continued)

10. Taxation

	2022	2021
Current Tax charge	**£'000**	**£'000**
UK corporation tax	93	198
Adjustments in respect of prior years	(2)	-
Total current tax charge	91	198

The tax charge for the year is lower than (2021: the same) as the standard rate of corporation tax in the UK: 19.00% (2021: 19.00%).The differences are explained in the following reconciliation.

	2022 £'000	2021 £'000
Profit before tax	509	1,046
Tax at 19.00% (2021: 19.00%) thereon:	97	198
Factors affecting charge for the year:		
Adjustment to tax charge in respect of prior periods	(2)	-
Expenses not deductible for tax	(4)	-
Current tax charge for the year	91	198

The UK corporation tax is calculated at 19.00% (2021: 19.00%) of the estimated assessable profit for the year. On 3 March 2021, the UK government announced that it intended to increase the main rate of corporation tax to 25% for financial years beginning on or after 1 April 2023. This rate was substantially enacted on 10 June 2021.

At the balance sheet date, the Company has no unused tax losses available for offset against future profits in either the current or prior year.

11. Technical provisions

Gross amount & net technical provision	**Provision for unearned premiums £'000**	**Claims outstanding £'000**	**Total £'000**
At 1 January 2022	82	15	97
Movement in year	(14)	-	(14)
At 31 December 2022	68	15	83

The Company had no reinsurance provisions in either the current or prior year.

12. Investments

	2022 £'000	2021 £'000
Short term cash deposits	2,513	2,505

Notes to the financial statements (continued)

13. Share capital

	2022 Number	2021 Number
Authorised, allotted, called-up and fully paid:		
Ordinary shares of £1 each	1	6,000,000

	2022 £'000	2021 £'000
Authorised, allotted, called-up and fully paid:		
Ordinary shares	-	6,000

During the year, the Company reduced its share capital from 6,000,000 ordinary shares to 1 ordinary share in accordance with the solvency statement procedure set out in section 642 of the CA 2006. The Directors signed the solvency statement under section 643 of the CA 2006.

14. Other creditors including taxation

	2022 £'000	2021 £'000
Insurance premium tax	116	265
Other	28	6
	144	271

The reduction in IPT balance in the year reflects HMRC accepting that a disputed balance of £210,000 is no longer payable. Refer to note 18.

15. Risk management

a) Financial risk

Capital risk management

The Company manages its capital to safeguard its ability to continue as a going concern. The Company makes adjustments to its capital structure in light of economic conditions. To maintain or adjust the capital structure the Company may adjust the dividend payment to shareholders or return capital to shareholders. The Directors have considered the capital requirements of the Company, including any obligations and the availability of cash reserves, before making the dividend payment in the year of £13,033,000 (2021: £nil), refer to note 16. Prior to the dividend distribution, a share capital reduction was performed, refer to note 13.

Externally imposed capital requirement

The Company is authorised and regulated by the PRA and regulated by the FCA as an insurance underwriter and therefore maintains its capital resources in accordance with the PRA's Rulebook. The Company and its immediate parent company, Homecare Holdings Limited (HHL), calculate their Solvency Capital Requirement using the Solvency II Standard Formula and report this quarterly to the Company Board and to the PRA. As at 31 December 2022, the Company's ratio of eligible funds to meet its Solvency Capital Requirement was 455% (2021: 147%) and Minimum Capital Requirement was 119% (2021: 590%). (both the current and prior year are unaudited). There have been no instances of non-compliance in either the current or prior year.

Notes to the financial statements (continued)

15. Risk management (continued)

a) Financial risk (continued)
Interest rate risk

The Company is exposed to interest rate risk to the extent that short and medium term interest rates fluctuate. Homecare is mainly exposed to movements in LIBOR. The following table details the Company's sensitivity to an absolute 2% increase and an absolute 1.5% decrease in LIBOR rates throughout the year. These percentages represent the Directors' assessment of a reasonable possible change in LIBOR rates. The sensitivity analysis includes the impact of changes in LIBOR on yearly average cash and investment balances.

	2022 £'000	2021 £'000
Increase of 2% on profit before tax	77	321
Increase of 2% on shareholder's equity	77	321
Decrease of 1.5% on profit before tax	58	241
Decrease of 1.5% on shareholder's equity	58	241

Foreign currency risk

The major foreign currency risk faced by the Company is the movement in MCR floor, which is denominated in Euros. The Company mitigates this risk, by holding an amount above the MCR floor to ensure movements in foreign exchange do not impact the Company's ability to meet this requirement. The Board have set a target MCR ratio of 125%, to ensure sufficient headroom for foreign exchange movements. Subsequent to the year end the Board have reassessed their risk exposure and have accordingly reduced their target MCR ratio to 115%.

The Board does not consider that the Company's exposure to foreign currency risk where it has overseas operations which have functional currencies other than sterling and are affected by foreign exchange movements to be significant. Income is no longer generated from territories outside of the UK (2021: Ireland).

Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Company. The Company does not actively hedge its credit risk. Homecare's retail trade and insurance receivables are with a broad range of individual customers and are therefore not generally exposed to any one customer, resulting in low risk. There have been no credit losses or write-offs during the year.

Counterparty credit limits are determined in accordance with the Treasury Policy for cash and cash equivalents and the Counterparty and Credit Risk Policy for receivables. To mitigate exposure to credit risk, short term deposit investments are held with F1 Single A rated institutions whilst any receivable balance that falls into an overdue status is monitored.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

Notes to the financial statements (continued)

15. Risk management (continued)

a) Financial risk (continued)

Liquidity and interest tables

Liabilities

The following table details the Company's remaining contractual maturity for its financial liabilities, based on the undiscounted cash flows of the financial liabilities and the earliest date at which the Company can be required to pay. The table includes both interest and principal cash flows and assumes no changes in future LIBOR rates.

	Less than 1 month	1-3 months	3 months - 1 year	1-5 Years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2021						
Non-interest bearing liabilities	12	124	305	-	-	441
Fixed rate instruments	171	-	-	-	-	171
	183	124	305	-	-	612
2022						
Non-interest bearing liabilities	18	221	49	-	-	288
Fixed rate instruments	284	-	-	-	-	284
	302	221	49	-	-	572

Assets

The following table details the Company's expected maturity for its non-derivative financial assets, based on the undiscounted contractual maturities of the financial assets.

	Less than 1 month	1-3 months	3 months - 1 year	1-5 Years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2021						
Variable rate instruments	13,625	2,505	-	-	-	16,130
	13,625	2,505	-	-	-	16,130
2022						
Variable rate instruments	932	2,513	-	-	-	3,445
	932	2,513	-	-	-	3,445

Notes to the financial statements (continued)

15. Risk management (continued)

b) Insurance risk

Homecare applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts. The lines of policies underwritten are limited to General Insurance Classes and are restricted to those lines where the Company has substantial experience. Lines of insurance are primarily focused on high volume, low transaction value, short term individual lines.

The Company's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period including an element to represent claims incurred but not yet reported. Details of claims reserves carried are provided in note 11.

Changes in rates of claims

Trends in claim rates and other market data are reviewed on a regular basis. Each class of contract has a large proportion of homogenous policyholders, and no insurance contracts are subject to concentration risk.

Changes in settlement cost per claim

The nature of settlement amounts is specific in policy documentation and the Company is not exposed to significant open-ended commitments. Although settlement costs are not capped, they generally vary within a small range, limiting overall exposure.

Reliance on key suppliers

The Company makes use of third party suppliers to provide the main features of the Identify Protection products. The performance and financial position of key suppliers are regularly monitored, and alternative lines of supply are identified as necessary. The Company therefore considers its exposure to risk arising from its insurance and supply contracts to be appropriately managed during the year.

16. Dividends

A cash dividend of £11,344,000 and a dividend in specie of £1,689,000 (2021: £nil) was paid during the year to the parent holding company Homecare (Holdings) Limited. The dividend in specie eliminated the intercompany loan receivable from Homecare (Holdings) Limited. The dividend was paid after the share capital reduction and is £13,033,000 (2021: £nil) per ordinary share.

17. Related parties and control

The Company is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. Cash at bank and in hand includes an amount of £109,000 (2021: £100,000) which is held in a bank account subject to this arrangement and managed on a regular basis.

During the year the Company received cash of £9,694,000 from CPPGroup PLC as settlement of an intercompany loan.

The Company is a wholly owned subsidiary of Homecare (Holdings) Limited. The ultimate parent company is CPPGroup Plc.

Advantage has been taken of the related party disclosure exemptions in respect of group transactions since consolidated financial statements have been prepared by the ultimate parent company CPPGroup Plc, which is the parent of the largest and smallest groups for which consolidated accounts are prepared and of which the Company is a member. Copies of these accounts may be obtained from the Group's registered office at 6 East Parade, Leeds LS1 2AD United Kingdom.

18. Post Balance Sheet Events

On 27 April 2023, the Company received notification from HMRC that a disputed IPT liability of £210,000 was no longer due and payable. This included an amount originally paid over by CPPL, which the Company owed to HMRC on its behalf. The Company has considered this an adjusting post balance sheet event, as the conditions which caused the liability to be cancelled, were in place as at the balance sheet date. Therefore, this has been reflected in the financial statements. This has had an impact of reducing the IPT liability by £210,000, increasing an intercompany payable to CPPL by £160,000, increasing revenue by £50,000 and the associated corporation tax payable increasing by £10,000 in both the income statement and corporation tax liability.