# Homecare (Holdings) Limited

# Solvency and Financial Condition Report (“SFCR”)

(for the financial year ended 31 December 2021)

Contents:

**Executive Summary**

The European Union 2009/138/EC Directive to harmonise prudential regulation for Insurance Companies and Insurance Groups was introduced and adopted in the UK. The regulations require Companies and/or Groups to publish specific information under the reporting regime via a specific report, the Solvency and Financial Condition Report ("SFCR"). This document is prepared and published by Homecare (Holdings) Limited to demonstrate the prudential position of the insurance group of entities referred to as the Homecare Insurance Group ("HIG" or "the Group" or "Companies").

The Homecare Insurance Group (HIG) consists of Homecare (Holdings) Limited ("HHL") and Homecare Insurance Limited ("HIL" or "the Company"), which is the entity in the insurance group which underwrites policies of insurance. The ultimate parent company is CPPGroup Plc.

Both Homecare (Holdings) Limited and Homecare Insurance Limited each have an independent Board of Directors that are separate from CPPGroup Plc and have responsibility for the governance and conduct of the Companies. HHL is a non-trading holding company and therefore most of the prudential risks are within HIL.

HIL applied to the Prudential Regulatory Authority (PRA) for a single SFCR waiver and this was initially granted in 2017 and renewed on the 21st April 2022. Therefore this SFCR is completed on this basis, incorporating the required information and disclosure for both HIG and the HIL solo entity.

HIL underwrites general insurance, predominantly payment card and personal identification protection. More recently solely on the UK personal identity protection product. The Company has in the past has been subject to regulatory intervention and is still currently operating under a Voluntary Variation of Permissions (VVoP). In 2017 the VVoP restrictions relating to assets were relaxed after a request from HIL. HIL no longer intends to have any of its other regulatory permissions re-instated and will continue with its strategy of managed decline until the HIL Board decides to enter a solvent run-off.

As a result of the VVoP, the Company does not have current permissions to underwrite new retail insurance policies. HIL is therefore continuing to adopt a strategy of managed decline where it ensures that it continues to deliver valuable insurance assistance-based policies to its policy holders by renewing existing polices.

The HIL Board and executive management's main focus has therefore been managing the decline of the policy base in line with the policy terms and conditions and ensuring that the features, benefits and servicing remain current and that the policies meet customer expectations

The number of policies and premium income will, as a result, continue to decline due to natural attrition. HIL monitors this closely to ensure the policy base is sustainable and that the level of premium income does not compromise the Company's solvency position. The Company maintains sufficient capital to cover all of its perceived liabilities and risks and maintains the necessary capital levels to ensure it meets its solvency requirements. At 31 December 2021, HHL consolidated and HIL solo had eligible own funds of £13.7m (2020: £13.2m) and £15.4m (2020: £14.9m) respectively to cover Solvency capital requirements of £8.9m (2020: £9.3m) and £10.4m (2020: £10.8m) respectively. This represents adequate headroom in both instances. These are reviewed on a quarterly basis against internal targets that are assessed and set at least annually.

HIL’s strategy is regularly reviewed by the HIL Board to ensure that it meets the requirements of all its stakeholders. A number of tools exist to calculate and evaluate capital levels, including stress and scenario testing to ensure that the capital levels remain sufficient and within the HIL board’s capital targets/risk appetite that support the strategy at the required level of confidence.

As the risk-carrying entity within HIG, risk management is embedded within HIL. This includes considering regular full risk reviews based on HIL’s strategy and the HIL Board assessing the risk appetite for the Company for all key risks, thus ensuring that the Company operates within them. This is reflected in all capital planning and the associated capital modelling. Supporting this is a proportionate governance structure and control environment, which includes effective Board oversight, internal CPP Group and external control function monitoring. Operational management, primarily provided by CPP Group outsourced arrangements, is under the direct oversight of the HIL Board. The HIL board ensures that service provision is always maintained and has regular review meetings, along with escalation contacts. During 2021 HIL’s main outsourcer continued to deal with any impacts of the Covid 19 pandemic, which HIL closely monitored along with any potential conduct and prudential risk. Profit in the year contributed £0.7m (2020: £1.1m) to HIG own funds.

# APPROVAL BY THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY (AMSB) OF THE SFCR AND REPORTING TEMPLATES

Approval by the Board of Directors of the Solvency and Financial Condition Report for the year ended 31 December 2021.

The Board certifies that:

1. The Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2. we are satisfied that:

    a. throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and

    b. it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued to comply and will continue to comply in the future.

Signed on behalf of the Board of Directors

Gary Sidle
Director
17th May 2022

## A: Business and Performance

### A.1 Business and external environment

The HIG is supervised by the Prudential Regulatory Authority (PRA). HIL is regulated and authorised by the PRA and regulated by the Financial Conduct Authority (FCA). The HIG consists of HHL and HIL which are both fully owned subsidiaries of the ultimate parent undertaking CPPGroup Plc which is not regulated or authorised directly by the PRA and/or the FCA. Existing policy holders are primarily in the United Kingdom with a small legacy base of policies in Eire, which fully lapsed in February 2022.

Homecare (Holdings) Limited
6 East Parade
Leeds
LS1 2AD

Homecare Insurance Limited
6 East Parade
Leeds
LS1 2AD

CPPGroup Plc
6 East Parade
Leeds
LS1 2AD

A simplified CPPGroup Plc structure can be found in Appendix 1.

Contact details for the regulators can be found at the relevant websites:

PRA: www.bankofengland.co.uk/pra

FCA: www.fca.org.uk

CBI:www.Centralbank.ie

Both companies' financial year-end is 31 December each year and the companies' auditor is PKF Littlejohn LLP, 15 Westfery Circus, London. E14 4HD.

### A.2 Performance from underwriting activities

The underwriting is solely carried out by HIL and is currently restricted by its VVoP from underwriting any new retail policies. As a result, in line with its strategy of managed decline, HIL has focused on its renewing policy holders.

Existing policy holders are primarily in the United Kingdom, with a small legacy base of policies in Eire (last policy expired February 2022). New premiums in the year relate to renewing policy holders. Compliance with local regulatory requirements in Eire since Brexit continued to be in place. The continuing Covid 19 Pandemic has had little direct impact on HIL's performance and underwriting activities. Focus was given to ensure that the policies continued to offer value and the cover was there when the policy holders required it.

The Company underwrote two lines of miscellaneous General Insurance (GI) business, being Card Protection and Identity Protection. The major active underwriting is for Identity Protection Product (IPP).

All underwriting is conducted from HIL's outsourced UK office in Leeds. In the year to 31 December 2021 the Company produced an underwriting profit of £694k (2020: £1,113k). Below is the technical account for the insurance company HIL as per the audited statutory accounts for the year ended 31 December 2021. A decrease in the year, reflects the policy base being in managed decline and a change in the joint manufacturing agreement between HIL and Card Protection Plan Limited, another company in the Group. HIL from February 2020, since the IPP product was de-coupled (split between the insurance and assistance features) only provides the Insurance features of the Identity Protection Product.

| **Summary technical account: year ended 31 December** | ***2021*** | ***2020*** |
|---|---|---|
| | ***£'000*** | ***£'000*** |
| Gross premiums written | 540 | 2,406 |
| Change in provision for unearned premiums | 853 | (183) |
| **Earned premiums** | **1,393** | **2,223** |
| Claims paid | (4) | 9 |
| Change in provision for claims | (15) | 3 |
| **Claims incurred** | **(19)** | **12** |
| Net operating expenses | (680) | (1,122) |
| **Balance on technical account** | **694** | **1,113** |

**A.3 Performance from investment activities**

The companies hold investments primarily for capital solvency purposes and invest in low risk, highly liquid cash deposits in line with the Group's Prudential Policy. The interest is treated as income but HIL does not rely on this income to settle claims or match its liabilities.

At 31 December 2021 HIG investment portfolio was in cash and deposited in low risk investments.

The investment portfolio comprised of the following deposits:

| Investment portfolio: 31 December 2021 | *Amount £'000* | *% of portfolio* | *Investment return £'000* | *Weighted average return %* |
|---|---|---|---|---|
| Cash | 2,637 | 51% | 0 | 0.00% |
| Short term deposits | 2,505 | 49% | 1 | 0.03% |
| **Total portfolio** | **5,142** | **100%** | **1** | **0.02%** |

| Investment portfolio: 31 December 2020 | *Amount £'000* | *% of portfolio* | *Investment return £'000* | *Weighted average return %* |
|---|---|---|---|---|
| Cash | 1,254 | 26% | 0 | 0.01% |
| Short term deposits | 3,504 | 74% | 12 | 0.38% |
| **Total portfolio** | **4,758** | **100%** | **12** | **0.27%** |

The portfolio as a whole returned £1k (2020: £12k) interest throughout the year, representing a weighted average return of 0.02% (2020: 0.27%). Decrease in returns were primarily due to lower available market rates and a higher balance on cash deposits. The Companies comply with the CPP Group's Treasury Policy as well as HIL's specific Prudential Policy, which specifies a minimum credit rating and a maximum counter-party exposure.

Short term deposits are generally deposited on 30 day terms, with maturity dates staggered to limit liquidity risk.

The investment portfolio has also fallen in recent years due to the continued distribution of surplus capital as the HIG continues to execute its strategy of managed decline. However, in 2021 there were no dividend distributions as HIL re-evaluated its strategy (2020: £3.0m). Any dividend is distributed through the HIG to the ultimate parent CPPGroup Plc.

As at 31 December 2021, intercompany receivables totalled £9.3m (2020: £9.4m), with net interest accrued or paid during the year of £352k (2020: £265k) applying interest rate 3.75% above LIBOR (2020: 2.5%). Improvement in returns is due to an increase in interest rate.

**A.4 Operating/Other expenses**

HIL, as the trading entity within the HIG, incurs materially all of the operating and general expenses for the insurance group. These consist of costs directly charged and paid for by HIL and other costs re-charged from other companies in the wider CPP Group for outsourced services received. As HIL's operations are continually scaled down and its policy base diminishes (as it follows its managed decline strategy), most services and costs are now being secured directly from other CPP Group companies. This gives HIL the advantage of a variable cost base which aligns to its reducing policy base and supports its ongoing policy provision and profitability. Operating expenses continue to decline as HIL manages its cost base in line with its strategy. HHLs operating expenses are immaterial year-on-year and pose no risk to HIG solvency.

There are no actual acquisition costs in the year as HIL's strategy is not to acquire any new policies.

**Net operating expenses: year-ended 31 December**

| | 2021 | 2020 |
|---|---|---|
| | *£'000* | *£'000* |
| Overhead and administration costs | 447 | 622 |
| Claims management | 230 | 496 |
| Acquisition costs (deferment release) | - | 1 |
| Investment management | 3 | 3 |
| **HIL operating expenses** | **680** | **1,122** |
| HHL operating expenses | 5 | 4 |
| **Total** | **685** | **1,126** |

### A.5 Overall Business Performance - Results and Dividends

**HIL Non-technical account: year-ended 31 December**

| | 2021 | 2020 |
|---|---|---|
| | *£'000* | *£'000* |
| Balance on technical account | 694 | 1,113 |
| Interest receivable | 352 | 266 |
| Investment income | 1 | 12 |
| Exceptional items | - | - |
| | 1,047 | 1,391 |
| Taxation | (199) | (261) |
| **HIL profit after tax** | **848** | **1,130** |

**HHL Non-technical account: year-ended 31 December**

| | 2021 | 2020 |
|---|---|---|
| | *£'000* | *£'000* |
| HHL operating expenses | (5) | (4) |
| HHL net interest | - | - |
| HHL taxation | (1) | 1 |
| **HHL Profit/(loss) after tax*** | **(6)** | **(3)** |
| | | |
| **HIG Consolidated profit after tax** | **842** | **1,127** |

** excluding £3.0m inter-Group dividend from HIL 2020*

HIL is the main operating entity within HIG and its profit after tax for the year ended 31 December 2021 was £0.8m (2020: £1.1m). The Financial Statements are presented under Financial Reporting Standard 101, "Reduced Disclosure Framework". No dividends were paid in the year to HHL (2020: £3.0m).

HHL had a loss after tax (and before dividend income from HIL) of £6k (2020: £3k loss) and when combined these aggregate to the HIG total of £0.8m (2020: £1.1m). No dividends were paid in the year to the CPP Group (2020: £3.0m).

A table of the net assets and total eligible own funds as at 31 December 2021 and prior year are below and all show high levels of capital and solvency.

| | HIG | | HIL | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | ***£'000*** | ***£'000*** | ***£'000*** | ***£'000*** |
| Ordinary share capital | - | - | 6,000 | 6,000 |
| Retained Earnings | 13,758 | 12,919 | 9,449 | 8,604 |
| **Equity in the financial statements** | **13,758** | **12,919** | **15,449** | **14,604** |
| **Items not recognised in financial statements:** | | | | |
| Risk margin | (19) | (45) | (19) | (45) |
| Net unearned premium | (31) | 567 | (31) | 567 |
| Deferred Tax | - | (60) | - | (60) |
| **Items not recognised under Solvency II:** | | | | |
| Deferred costs and accrued income | (13) | (206) | (13) | (206) |
| **Solvency II basic own funds** | **13,695** | **13,175** | **15,386** | **14,860** |

Net unearned premium in 2021 is negative (£31k) (2020: £567k). The premium HIL receives for the Identity Protection Product Insurance features is to ensure HIL remains profitable at underwriting profit and costs will be managed to ensure any losses are minimised.

| | HIG | | HIL | |
|---|---|---|---|---|
| | ***2021*** | **2020** | **2021** | ***2020*** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Solvency Capital Requirement | 8,926 | 9,283 | 10,439 | 10,789 |
| Minimum Capital Requirement | 2,232 | 2,321 | 2,610 | 2,697 |

The risk components, which comprise the HIG and HIL SCRs are as follows:

| | HIG | | HIL | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | ***£'000*** | ***£'000*** | **£'000** | **£'000** |
| Market risk | 512 | 716 | 512 | 716 |
| Counterparty risk | 8,594 | 8,630 | 10,111 | 10,143 |
| Underwriting risk | 285 | 671 | 283 | 671 |
| Diversification benefit | (507) | (821) | (509) | (828) |
| **BSCR** | **8,884** | **9,196** | **10,397** | **10,702** |
| Operational risk | 42 | 87 | 42 | 87 |
| **SCR** | **8,926** | **9,283** | **10,439** | **10,789** |

All the prudential risks have seen changes year on year as the business continues to decline and premium levels change. The number of policies on cover continue to decline. There has been a marginal decrease in counterparty risk as the intercompany asset balance decreased slightly due to short term operating impacts. The other decrease relates to underwriting risk where a decrease in premiums is forecast as a consequence of the de-couple relating to the Identity Protection Product. There is also a fall in market risk due to mix of cash and investments being held.

**A.6 Any other information or disclosure**

The HIG and HIL specific focus has been to continue to protect the interests of its policyholders and other stakeholders as it manages the decline of the policy base and ensures that it continues to remain compliant with Solvency II and all other applicable regulations.

HIL applied to the PRA and the FCA to have part of its VVoP restrictions lifted based on the fact that reasons for the variation of permissions relating specifically to asset restrictions had passed. It has now been decided that HIL will not apply to have any further regulatory restrictions lifted and will continue with its strategy of managed decline and then eventually into a solvent run-off.

The HIL Board continues to manage the firm’s prudential risks as the business continues to decline. The firm works closely with its service providers to ensure that any conduct risks are assessed and if necessary, they can be taken account of in the prudential requirements. The directors are not aware of any liabilities that would have an impact or pose any risk to HIG’s solvency position. This is kept under constant review as the managed decline strategy continues to be applied.

Revised outsourced and transfer pricing agreements are updated to accurately reflect HIL’s requirements and usage of services. This continues to support the controlling of costs as underwriting premiums and activity continues to decline.

HIL continues to focus on the main features of its Identity Protection product to ensure that the features remain relevant and appropriate and to ensure the policy holders continue to receive value. HIL has also focused on its operational and recovery resilience and as now identified its Important Business Services (IBS) and built these into its Operational Resilience Plan (ORP).

With effect from February 2021, the Company has introduced a decoupled contract structure to all IPA policy renewals. Contractual decoupling results in the Company now being responsible for the insurance component of the product only with an associated group company, Card Protection Plan Limited taking responsibility for the assistance and servicing elements of the product which includes all associated costs. The new contractual structure reduces the gross written premium that the Company receives along with an associated reduction in costs.

## B: Systems of Governance

### B.1 General Governance arrangements

**Overview**

HIL, and therefore the overall Homecare Insurance Group, is classified as a Category 5 firm. A category 5 firm is an Insurer whose size, inter-connectedness, complexity and business type give them almost no capacity individually to cause disruption to the UK financial system by failing or by carrying on their business in an unsafe manner, but where difficulties across a whole sector or subsector may have the potential to generate some disruption. They have no capacity to cause disruption to the interests of a substantial number of policyholders.

The HIL Board is aware of this and ensures that there is an appropriate system of governance in place to manage the risks posed to the firm.

HIL's Board of Directors have responsibility and accountability for the governance of the Company and its strategy along with managing its risk appetite and ensuring that a robust risk framework is in place.

**Board of Directors during the year and to the date of signing this report**

Homecare Holdings Limited:

Andrew Ferguson (Non-executive Chairman appointed 19/10/21) (David Jewel resigned 18/10/21)
Gary Sidle (Director)
Sarah Atherton (Company Secretary)

Homecare Insurance Limited:

Andrew Ferguson (Non-executive Chairman appointed 19/10/21) (David Jewel resigned 18/10/21)
Gary Sidle (Director and Homecare CEO)
Sarah Atherton (Company Secretary)

The Homecare Insurance Group is committed to high standards of corporate governance to ensure it can carry out its strategy in a risk-based and fully compliant way. To support this, the HIL Board are regularly supported in Board meetings by the CPP Group control functions - namely Legal, Compliance, Risk as well as Finance.

The HIL Board has a qualified experienced accountant to fulfil the Chief Finance Function (SMF2) role. This will continue to complement the HIL Boards skills and bring the independent financial discipline and financial governance directly and indirectly to HIL and HHL respectively.

The HIL Board also appointed a Senior Management Function responsible for Compliance (SMF 16). A full governance model is attached in appendix 4.

**Directors Emoluments - HIL**

The total emoluments and fees of the Directors in the year were £210,000 (2020: £215,000). The highest paid Director received emoluments of £186,000 (2020: £174,000) for the year ended 2021. There are no Directors accruing benefits under money purchased pension schemes or defined benefit schemes at the yearend in either the current or prior year.

**Directors Emoluments – HHL**

In the current and prior year none of the Directors received any remuneration in respect of their services as Directors of the Company; furthermore the Company has no employees or related costs. No amounts have been recharged to this Company as their services to this Company are considered to be highly immaterial.

**System of Governance Details**

As part of the governance arrangements for a Solvency II firm, insurance groups and companies are required to have clear and effective governance structures.

The governance map in Appendix 4 sets out the governance structure for HIL and its parent company HHL, taking into account Solvency II and other regulatory directives, rules, regulations and regimes including the Senior Managers and Certification Regime (SMCR). The governance map is proportionate to the strategy, nature and scale of the HIL business and its operating model.

Under the PRA/FCA's Senior Managers and Certification Regime and as an authorised and regulated insurance entity, HIL appoints PRA and FCA approved individuals known as Senior Management Functions (SMF). SMFs attend HIL board meetings as members (e.g. as Directors) or invitees (e.g. significant management functions, control functions or business partners).

Due to the nature and size of HIL, the HIL Board retains responsibility for oversight of the Company's risk, remuneration and audit activities. HIL therefore does not have individual personnel for any of the following: SMF 10 (Risk); SMF 11 (Audit); or SMF 12 (Remuneration).

However, as a Solvency II Company, HIL is still required to establish these key functions and regulatory guidance indicates that a key function may be performed centrally within a Group with oversight from the approved Director from HIL. Below is how the Homecare Insurance Group covers the key control functions. All these services are covered by inter-company agreements which contain appropriate service levels and charges, and these are monitored to ensure the services are operating as required. Monthly meetings are held with the Outsourcer to ensure that the services are provided in-line with the outsourcing agreements and the main Outsourcer provides a report and attends each HIL board meeting to discuss performance and any related matters as necessary.

**Audit**

HIL does not have an audit function within the firm. The CPP Group Audit function, as part of the wider Group Audit and in agreement with the HIL Board, discuss potential HIL specific audit areas with the HIL Director with allocated responsibility and suggest a possible audit plan based on its risk profile. The HIL Non-Executive Chairman has responsibility for Audit and has responsibility for the oversight of outsourcing audit services as appropriate based on the results of the audit plan and/or other triggers. CPPGroup's Plc Audit Committee fulfil HIG's requirement to have an Audit Committee.

**Risk**
HIL does not have a risk function within the Company. HIL accesses risk management services from the CPP Group as necessary, which is covered by appropriate outsourcing agreements. The Director with Risk responsibility has primary accountability.

**Compliance**
HIL does not have a compliance function within the Company. HIL accesses compliance functions from the CPP Group as necessary and the Director with the allocated responsibility is accountable. HIL has a SMF16, who has detailed and specific responsibilities.

**Actuarial**
HIL does not have an actuarial function within the Company. HIL uses an external professional firm for its actuarial services, along with support from the CPP Group's operational Finance team. HIL's Chief Executive has responsibility for the procurement and performance of the necessary actuarial services.

**Operational**
HIL has identified other functions and services required to ensure appropriate services are provided and that governance and oversight of HIL's business is in place. The majority of HIL's operational and administrative activities are outsourced as necessary to the CPP Group including: claims handling, policy servicing, compliance and general operational, professional and administrative services. HIL's Chief Executive is responsible for acquiring and the performance of these required services from the CPP Group.

HHL will receive appropriate reports and request any information from the HIL board, review and report to the CPPGroup Plc board.

Please refer to appendix 4 which summarises the Group's governance model.

**B.2 Fit and proper requirements**

CPP Group follows the SMCR guidance that the HIG and other CPP Group companies comply with, including the Senior Management Function and Certification Regimes. Set procedures and processes are followed to ensure that individuals who perform a Senior Management Function are fit and proper, this is controlled by the CPP Group People team. There is also a specific process and procedures for the recruitment and resignation of Senior Managers, which details the steps to be taken when a Senior Manager joins or leaves the business.

Fitness and propriety checks are undertaken prior to an individual joining the business. In doing so, the following factors are considered as a minimum:

- Honesty, integrity and reputation;
- Competence and capability; and
- Financial soundness.

These checks are augmented by the regulatory appointment process for Senior Managers. This supports responsibilities, skills and any development plan to ensure that all aspects of the position are covered.

Senior Managers are also required to annually declare their ongoing suitability and re-vetting is undertaken by the CPP Groups People team.

As part of the recruitment process for Senior Managers (and potential Senior Managers), the fitness of each individual is assessed on a case-by-case basis. Consideration is given to qualifications, knowledge and relevant experience. The outputs of this assessment drive the individual's Regulatory Training and Development Plan. Training plans are supported by both the People team and Compliance.

Prior to an individual being appointed into an approved person or SMF role, the appropriate Board approval is received. All offers are subject to regulatory approval.

All employees, whether a Senior Manager or not, are recruited in line with the CPP Group People Policies which all Managers are required to follow.

All employees undergo an appointment process and complete a security screening form. Criminal Records Bureau (CRB) and Fraud screening tests are conducted along with standard reference checks. Right to work and professional qualifications are also checked and verified during the vetting process. This ensures that all HIL and CPP Outsourcers employees are fit and proper.

All employees are required to complete a number of relevant mandatory annual e-learning packages and all employees are subject to mandatory selective re-vetting.

**B.3 Risk management system**

The Group continues to follow industry practices by using a risk-based approach on a traditional risk management hierarchy and three lines of defence model.

The CPP Group Risk Policy is updated annually and approved by the CPP Group Risk & Compliance Committee. This policy applies to all companies within the CPP Group, including HIL. It describes the Group's preferred approach to managing risk and its attitude to risk management. The HHL and HIL Boards have adopted the CPP Group Risk Framework and associated policies.

Central to the risk management is the ability to identify and measure risks and controls and put in place appropriate actions to manage them. The outsourced CPP Risk Team holds regular meetings with the Chief Executive of HIL to provide independent challenge to the management of HIL's risks.

The HIL CEO works alongside the outsourced Risk Manager to review HIL's material risks. The review also looks at emerging risks. A Risk and Compliance Self-Assessment (RCSA) is then compiled on a quarterly basis which:

- Identifies any material risks the firm may face
- Assesses the likelihood and impact of each risk
- Determines whether in appetite or not – which will include mitigating actions as necessary
- Shows the movement within any risk to illustrate whether the risk is increasing or decreasing

The latest RCSA is shared with the HIL board at each quarterly scheduled board meeting and any challenge or comment is considered, acted upon and updated accordingly in future risk reviews.

A CPP business incident management process is fully embedded within HIL and has enhanced the internal control environment by providing a mechanism for ensuring that for all business incidents that appropriate remedial and preventative action is taken and that any trends are identified.

The HIL Board appraises the risks relating to its business regularly and are provided with updates on management actions and these are referred to as and when necessary to the HHL and CPPGroup Plc boards.

**Own Risk Solvency Assessment (ORSA)**

The primary objective of the ORSA is to ensure that the Homecare Insurance Group is able to maintain appropriate levels of capital to support its risks on a continuous basis, in line with its business plan and strategy.

The HHL and HIL Boards of Directors work together to produce the Homecare Insurance Group ORSA and are clear on the risk assessment process and types of events that could give rise to an impact to HHL/HIL's own funds, including the underlying key risk drivers and assumptions.

The objectives of the ORSA policy and process are to:

- determine the overall solvency needs of HHL/HIL, which includes understanding and calculation of the overall liabilities of the Homecare Group and technical provisions, the regulatory capital and internal capital needs;
- support the embedding of risk management across the Homecare Insurance Group; and
- ensure that the Homecare Insurance Group holds appropriate levels of capital to support its needs on a continuous basis.

The ORSA is a forward-looking assessment of Homecare Insurance Groups risks, which is updated regularly to ensure HIG has sufficient own funds to meet its existing and 'future' liabilities through a combination of risk, capital and solvency projections.

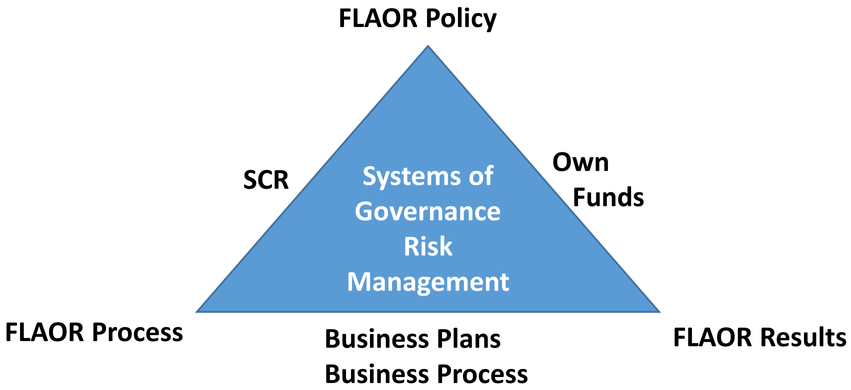
'Future' in this context refers specifically to the term for the forward business plan (specifically for 12 months) and generally for the consideration of risks that could put the Homecare Insurance Group in difficulty (on a 1 in 200 year basis) and into a position of insolvency (on a reverse stress-test basis).

The Homecare Insurance Group produces a single, annual ORSA report on a Group basis. This means that the ORSA solvency position is calculated on both an individual insurance entity (solo) basis and an aggregate Group basis, the report itself covers both the solo entity and the aggregated Group. The annual ORSA is run as part of the annual financial cycle. The requirement to produce a single HIG ORSA has been approved by the PRA.

In addition, the output of the standard formula calculations used as part of the ORSA, the SCR, MCR and Eligible Own Funds are reviewed on a quarterly basis, as part of the financial review cycle.

An ad-hoc ORSA will be run where it is perceived that the HIG's risk profile will significantly change or has already been impacted. In both cases an ad-hoc ORSA will be run as soon as the change or potential change, or the event that gives rise to the change, is known about. As the business is stable and performing in line with its strategy no ad-hoc ORSA has been required.

**The ORSA Process**




The ORSA Process coordinates key functions (internal or from the outsourced provider) with the HIL and HHL Boards to ensure the required information, data and calculations are available for analysis, review and reporting. These feed through to the ORSA results ensuring that the stakeholders are able to review and comment on the ORSA inputs and outputs.

The ORSA is reliant on the following processes which need to be conducted before the ORSA report can be produced. The inputs to the ORSA include:

- The ORSA and own funds calculations;
- The SCR calculations based on the Solvency II Standard Formula
- HIL Board decision-making in related risk areas;
- Financial reporting for HIL and HHL;
- Up-to-date reporting on risk areas and appetite;
- Up to date  risk analysis and reporting;
- Up-to-date risk assessment.
- Investment policy and reporting;
- Outputs from stress and scenario analysis;
- Current business plans and strategy

The ORSA process, the procedures and results, are owned by the HHL and HIL Boards.

The HIL Board is responsible for understanding the ongoing solvency requirements of the businesses of the Homecare Insurance Group in order to make recommendations to the HHL Board, as appropriate. It also includes reviewing ORSA reports before submission to the HHL Board and, in the event of an ad-hoc ORSA to agree the reason and circumstances for its production.

The HIL Board is responsible for overseeing the capital, liquidity and cash flow position of the Homecare Insurance Group and recommendations to the HHL Board. It has responsibility for capital oversight within the solo regulated entity HIL and for contributing to and reviewing the results of the ORSA.

The ORSA and any supporting assessments indicate whether, under all necessary and applicable scenarios and stress tests, the company is adequately capitalised and as a result the board are comfortable to opine that there are no capital add ons required.

The solvency requirements are determined by using the Solvency II standard formula as approved by the PRA. This clearly shows HIL's and HIG's Solvency Capital Requirements (SCR) and the Minimum Capital Requirements (MCR).

HIL also completes an Assessment of Own Risk from its Risk Framework and Risk Register. Capital is then allocated per risk and correlated. This provides an assessment of capital required by each prudential risk category that can be directly compared to the Standard Formula SCR. This validates the Standard Formula model as being appropriate for the firm's solvency management and any variances between the two methodologies can be reviewed by the Boards and the Regulator.

The major risks are then stressed individually and collectively to ensure that there is sufficient capital to cover at appropriate stress levels. Reverse stress testing is also undertaken to understand the situations which could cause the Company solvency issues and ensure that these are remote and sufficiently mitigated against.

Finally, the ORSA includes scenario testing based on the HIL strategy of managed decline. The scenarios test that HIL specifically has sufficient capital to manage a planned or an event driven accelerated run-off to closure of the firm.

The 2021 ORSA shows that the capital required under the Standard Formula and the Assessment of Own Risk are comparable in total and any variances in individual risks are explainable and understood. All reasonable stress tests and scenarios can be covered by the level of capital carried by the Companies. The next scheduled ORSA is due to be completed mid-2022.

The HIL Business model is considered to be stable and there is no reason to suggest why the risk profile of HIG would have changed. The 2022 ORSA will re-validate the capital requirements and risk maps.

**B.4 Internal control**

The Homecare Insurance Group operates a traditional three lines of defence model whereby each function has clearly defined responsibilities and accountabilities.

1$^{st}$ Line – Business Management and Executive ensure that the business is operating within the Homecare Group's Risk tolerances and is responsible for the identification, management and monitoring of risk.

2$^{nd}$ Line – Being made up of all the internally outsourced Control Functions: Risk, Compliance, Information Security and Legal. These provide framework, guidance, support and challenge.

3$^{rd}$ Line – The outsourced Internal Audit function provide risk based independent testing of the design and operation of the compliance and outsourced operations.

This model supports the overall control by the HIL and HHL Boards. The Boards meet to review performance, policies, reports, and to agree the RCSA framework under which the companies operate approximately every three months.

The independent outsourced control functions provide support and challenge to the Board on the overall prudential and conduct performance of the Company and the future outlook, from both a risk and performance perspective. The Non-Executive Chairman provides independent challenge on all reports and performance management information.

CPP Group adopted policies, as well as any specific policies detail what the control objectives of the firm are and how these are to be achieved where relevant to the HIG.

Finally, monthly controls are in place to monitor financial and operational performance via pre-determined Key Performance Indicators (KPIs) and Management Information (MI). This includes detailed financial reviews of performance, solvency and forecasts. There are also monthly Supplier/Outsourcing meetings to review operational matters e.g. service levels and developments at our key suppliers and outsources (mainly CPP Group outsourcers).

**B.5 Internal audit function**

The internal audit function for the Homecare Insurance Group and specifically Homecare is under the responsibility of the HIL and HHL Non-Executive Chairman (no SMF11 audit). This ensures that there is independent oversight of the internal audit function to ensure the effectiveness of the internal control system and other areas of governance.

The CPP Group, of which both the supervised companies of the Homecare Insurance Group are subsidiaries, has an internal audit function which forms part of the Insurance Group's control framework. The Group Internal Audit function is led by the Group Head of Internal Audit who is an experienced Internal Audit practitioner. Group Internal Audit reports directly to the CPP Group Audit Committee (which is the designated Solvency II Audit Committee).

Group Internal Audit agree a risk-based audit plan, for the CPP Group, with the Group Audit Committee meeting at least annually and all reports are circulated and actioned as necessary within the Group. HIG are informed on key findings and any audit findings specifically relevant to HIG.

CPP Group Internal Audit will provide support to the HIG to put together a specific HIL risk-based audit plan on an annual basis, which is then agreed by the HIL and HHL Boards.

Both HIL and HHL can independently use the audit services of outsourced professional Solvency II audit practitioners, as well as engaging CPP Group Internal Audit to carry out specific HIG audits as and when required by HIL.

**B.6 Actuarial function**

The actuarial services are provided by the internal CPP Group outsourced actuarial team, which is significantly supported by a firm of professional external Actuaries (Barnett Waddingham).

The primary objective of the Homecare Group Actuarial Function (internal and external) is to assist the Board of HIL to protect the assets and sustainability of the Homecare Insurance Group by providing assurance on the underwriting and reinsurance policies, adequacy of technical provisions and the appropriateness and accuracy of all solvency calculations.

To discharge its responsibilities and thereby achieve its objectives, the Actuarial Function carries out the following core activities:

- co-ordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used, as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience – as appropriate;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions;
- express an opinion on the overall underwriting policy – as applicable;
- express an opinion on the adequacy of reinsurance arrangements - as applicable;
- contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

The Actuarial Function will prepare an annual Actuarial Function Report, for consideration and approval by the HIL Board, which will take into account all relevant activities, findings and recommendations of the Actuarial Function with reference to the Homecare Insurance Group and their exposure to risk.

The outsourced actuaries contribute and support the ORSA preparation and provide an independent validation report for the HIL Board of Directors. The external actuaries also support the quarterly and annual SCR and MCR by preparing and reviewing the calculations and assumptions, whilst at the same time providing specific guidance on the actuarial models and calculations.

**B.7 Outsourcing**

HIL is reliant on outsourced arrangements as a result of its strategy of managed decline that has now been in place for many years.

The Company has taken advantage by leveraging the capabilities and skills of the wider CPP Group by ensuring that any outsourced arrangements are robust and compliant. The firm ensures that all outsourced contracts comply with requirements and all need to be ultimately approved by the HIL Board.

The Outsourcing agreements are amended as necessary and any Outsource Contracts are subject to at least an annual review, with the Outsourced contracts themselves being managed closely. All of HIL’s functions and insurance activities, are managed by Senior Manager Functions (SMFs).

Detailed areas within the Outsource processes are:

- Outsourcing evaluation;
- Approvals and Sponsorship;

- Fit and Proper compliance with respect to the Outsourcers providing business functions and Insurance activities;
- Compliance against terms and conditions in the Outsourcing Contracts;
- Outsourcing contract detail required;
- Accountabilities and responsibilities;
- Contingency, including resilience and Business Continuity;
- Regulatory Notification requirements;
- Compliance and monitoring;
- Key contacts.

Below is a summary of HIL's Outsourced Insurance Activities:

Homecare Insurance Limited – Outsourcing Arrangements (NB: All the service providers of outsourced functions or activities are located in the United Kingdom).

| Outsourced Provider | Service Outsourced | Internal/External | Responsible Director/SMF |
|---|---|---|---|
| Card Protection Plan Limited (CPPGroup Company) | Customer Service – including Service Calls and Operational Support<br>Claims Handling<br>Complaints Handling | Internal | HIL CEO (SMF1) |
| | Product Support /Procurement Services<br>Fulfilment Services | | |
| CPPGroup Services Limited (CPPGroup Company) | **Actuarial** (Controlled Function) - Also use professional actuarial services of Barnett Waddingham | Internal/External | HIL CEO (SMF1) |
| | Underwriting (if applicable)<br>Legal<br>Data Governance<br>**Risk**<br>**Compliance** (Controlled Function) | Internal | HIL CEO (SMF1)<br>HIL SMF16 |
| | Finance & Tax | Internal | HIL (SMF2) |
| | **Internal Audit** (Controlled Function) – Also has access to external SII Audit services. | Internal/External | HIL Chairman (SMF9) |

## C. Risk Management

### C.1 Underwriting risk

HIL's underwriting risk arises from two sources - reserve risk and premium risk, as no catastrophe risks have been identified.

Reserve Risk is the risk of loss or adverse change in value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of the amount of claim settlements.

Premium Risk is the risk of loss or adverse change in value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events.

HIL uses historic claims data to predict future claims reserves, but as the policies HIL underwrites are of a short-term basis and have little claims exposure following the ending of the policy. Claims reserves are low and pose little risk. The uncertainty over premium risk was assessed as part of the successful Undertaking Specific Parameters (USP) application made by the Homecare Insurance Group with regards to an USP for premium risk. This demonstrated a stable claims profile over a number of years, making claims and reserves predictable. The primary/only product that HIL now underwrites is Identity Protection, which is an assistance-based identity protection product that contains underwriting features, so any exposure is deemed to be low risk and HIL only covers the Insurance features

HIL's underwritten insurance policies are relatively short term (mainly annual products), so HIL has the ability to adjust premiums or withdraw the policies at renewal to ensure that any remaining policyholders continue to be protected and that HIL maintains its required solvency levels.

No Catastrophe Risk has been identified due to the nature of HIL's underwriting policy and current policy base.

Risk sensitivity, as determined in the stress testing carried for the last ORSA, was low from an Operating perspective and was less than £0.1m. However, from a Group Risk (HHL only), we have estimated a worse case £2.0m impact as HHL is an obligor under the Group banking facility.

HIL does not consider that it is exposed to any potentially aggregated concentration of underwriting risk.

**C.2 Market risk**

HIL's market risk is related to internal financial market risks and HIL focuses its Treasury operations on bank deposits and there is no activity in derivatives. HIL currently does not hold any derivatives and has no plans to do so. HIL does not currently hold any portfolio of traded investments and thus is not subject to movements in equity, bond, gilt or other tradable security prices.

HIL has both balance sheet and profit and loss account exposure to the Euro: £ exchange rate but the reducing Irish Card live book and no new euro premium income mean that fluctuations will have minimal impact due to such exposures being immaterial to the HIG as a whole (current euro balance is €9.5k overdrawn)

HIL's financial assets are low risk and as such are invested in accordance with the prudent person principle described in Article 132 of the SII Directive (see C.3).

Based on HIL's investment portfolio in short term assets of £2.5m (2020: £3.5m) is exposed to a concentration risk of £0.5m (2020: £0.7m).

**C.3 Credit risk**

Credit Risk relates to the risk of counterparty default. HIL and HHL aim to achieve a flat or reducing trend in amounts outstanding and to avoid any material losses through counterparty default. This risk is managed by carrying out regular financial reviews on existing counterparties. Management reviews the balances held with counterparties and investments which seek to reduce credit risk.

A key exposure for HIL and HHL is the historic intercompany counterparty risk and investments. The intercompany balances are assessed for overall recoverability on a quarterly basis in line with the SCR calculations. Assets invested are in line "Prudent Person Principle" that ensure security, liquidity and profitability. Both HIL and HIG as part of the business strategy of managed decline have, as part of a wider Group inter-company restructures actively managed the credit risk for inter-company related debtors and comply with the Group and firm's treasury policy on investments.

In 2021 the inter-company remained in-line with prior year decreasing slightly to £9.3m (2020: £9.4m) and the counter-party risk in the Composite Account Scheme (CAS) account was £0.1m (2020: £0.1m). Overall, there was a marginal decrease (£32k) in the counter-party risk.

There is no material risk sensitivity in the ORSA for the impact of any credit default risk as all is allowed for at near to full provision levels.

**C.4 Liquidity risk**

Liquidity risk refers to the possibility of the main trading entity HIL having insufficient cash available to settle claims and other liabilities as they fall due. HIL closely monitors and controls cash flow and has access to cash-flow forecasts in order to manage likely cash requirements. HIL holds cash on short deposit, with a maximum maturity of one month (in line with its own Prudential and CPP Group Treasury policies). Investments are staggered, with differing maturity dates to ensure funds are sufficiently liquid.

HIL does not have a large dependency on any single trade debtor. Therefore, any concentration risk is much reduced.

For insurance product services, the expected loss included in future premiums, as calculated in the technical provision is £48k (2020: £462k profit).

**C.5 Operational Risk**

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or from external events. Due to HIL's business model, operational risk mainly relates to the provision of operational services from the wider CPP Group entities (outsourced).

HIL fully outsources its operations and other services to Group companies, being Card Protection Plan Limited (CPPL) for operational/administrative activity and CPP Group Services Limited (CPPGSL) for additional/other administration and support activities.

The key material operational risks that the business continued to actively manage over the period include:

- Outsourcing - the risk of failure, non-performance, ineffective management and/or oversight of HIL's outsourcing partners CPPL and CPPGSL. Ongoing monitoring (at least monthly) and the annual review of outsource agreements ensure that this risk is regularly assessed against appetite.

- Data Management – The risk that data and MI is not of suitable quality, leading to poor decision making, inaccurate/incorrect processing of data and/or inaccurate reporting. The CPP Group has data processes and procedures to manage and mitigate this risk.

- Change risk:  The risk that change is not executed adequately. The outsourced operational and service providers lead the change and have controls and procedures in place to ensure the change is executed adequately. Oversight of this risk was conducted through regular monthly reviews by HIL management.

These operational risks are aligned to and commensurate with the HIG's strategy of managed decline and as a result the HIL Board regularly monitors and manages these risks as part of its operations and governance.

The intra-company outsourcing arrangements are governed by HIL. Regular meetings are held to review performance against contractual obligations and for escalation of any issues for resolution.

**C.6 Other material risk**

Product suitability – the risk relates to HIL's ability to demonstrate the ongoing suitability and value of its products. Working closely with its outsourced providers, HIL has delivered on a strategy to enhance customer value and engagement and improve its service delivery.

Business Resilience risk – this risk was re-assessed by the HIL Board and was deemed to fall within appetite. This is due to a number of activities (for example working from home and the implementation of an enhanced telephony cloud based system). These have strengthened HIL' s ability to provide continuity of service to HIL's customers and recover adequately from a disruptive event. HIL has recently focused on its resilience and recovery by identifying its Important Business Services (IBS) with associated tolerances. These have now been included into HIL's Operational Resilience Plan (ORP), which will continue to be refined over the coming years to ensure resilience and recovery are robust within the firm.

Information Risk: HIL outsources its information security to CPP. CPP Group IT have continued to support the CPP Group and HIL to prevent issues and have PCI and ISO standards of resilience.

Pandemic - HIL has continued to not be materially impacted by the pandemic as its outsourced operations have successfully implemented new working models and ensured that continuity of service was provided to HIL customers.

**Risk mitigation practices**

All material risks which HIL is exposed to are identified and recorded in the HIL risk register and in its RCSA. The risks are assessed quarterly and the actions to manage the risks are monitored. The risks are reported to the HIL Board on a regular basis including risks deemed to be outside of appetite.

The following list outlines the actions/techniques used for mitigating risks:

- Risk limitation – the most common strategy where actions are taken in order to limit or treat the severity or probability of the risk in order to limit exposure.

- Risk Avoidance – actions are taken to avoid or terminate any exposure to the risk.

- Risk transfer – actions are taken to transfer the risk to someone else. HIL outsources its operational activities to CPP Limited (CPPL) and its administrative activities to CPPGroup Services Limited (CPPGSL). However, HIL recognises that it cannot transfer responsibility or accountability and therefore manages any risks transferred to its outsourcing relationships in line with its outsourcing agreements and service levels that are in place.

- Risk acceptance – risk acceptance does not reduce the effect of the risk, instead a decision is taken to accept or tolerate the risk and its potential impact: Where this is the case HIL has considered all viable mitigation techniques and the risk remains at an acceptable level with sufficient capital to cover any adverse impacts.

The HIG and HIL specifically do not have any significant individual material risk exposure or any material risk concentrations. All of HIL's renewing underwriting policies are based on high volume, low premium underwriting. The policy base is now also mature and no new policies have been written since November 2012, which also reduces the likelihood of any new material risks developing.

**Risk sensitivities**

Any risk sensitivities are reviewed regularly as part of the on-going risk management framework and specifically in the ORSA. As the policy base is still in continued managed decline, many operational and underwriting risks are reducing proportionally. The identified specific risks that were seen as having the potential to be more volatile and would have the most impact on the HIG are stressed in the HIG ORSA to ensure that capital levels are adequate.

The stress tests are combined to assess against the capital held by HIG. The stress tests are either Operational or Group based risks. The highest stressed risks as a result of the Homecare Insurance Group's strategy of managed decline would be as a result of stressed data breaches, followed by Group risk associated with HHL being an obligor to the CPP Group borrowing facility. Stress testing in total for both incidents, when stressed would be £2.1m. (2020: £2.2m)

## C.7 Any other disclosures

As HIG and HIL operate a strategy of managed decline, the run-off scenarios take a higher prominence. HIL models' scenarios to ensure it has sufficient capital and the capability to be able to manage likely run-off scenarios, ensuring that it has sufficient capital and high level operating plans. This supports any ongoing business resilience and recovery plans.

The possibility of a run-off is less likely now that the CPP Group business is stable, related outsourcing agreements are in place and HIL has already run-off certain lines of business (HIL now only underwrites renewing UK Identity Protection Products). The HIL Board still review and complete stressed and run off scenarios to ensure that contingency plans are in place and are appropriate.

# D: Regulatory Balance Sheet

## D.1 Assets

The following table analyses the financial assets of HIG and HIL as at 31 December 2021.

| HIL | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Assets per FRS 101** | **Assets per Solvency II** | **Assets per FRS 101** | **Assets per Solvency II** |
| | ***£'000*** | ***£'000*** | ***£'000*** | ***£'000*** |
| Investments | 2,505 | 2,505 | 3,504 | 3,504 |
| Cash & cash equivalents | 2,633 | 2,542 | 1,265 | 1,141 |
| Receivables and loans & mortgages | 11,005 | 11,093 | 11,324 | 11,252 |
| **Total assets** | **16,143** | **16,140** | **16,094** | **15,897** |

| HIG | 2021 | | 2020 | |
|---|---|---|---|---|
| | Assets per FRS 101 | Assets per Solvency II | Assets per FRS 101 | Assets per Solvency II |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Investments | 2,505 | 2,505 | 3,504 | 3,504 |
| Cash & cash equivalents | 2,637 | 2,542 | 1,254 | 1,141 |
| Receivables and loans & mortgages | 9,315 | 9,407 | 9,654 | 9,570 |
| **Total assets** | **14,457** | **14,454** | **14,412** | **14,215** |

**Investments**

The Company held £2,505k (2020: £3,504k) cash on short term deposit fully redeemable on pre-defined terms with highly rated counterparties at a pre-defined date. The financial investments of the Company are held at nominal value which is deemed to be equal to their fair value and amortised cost.

HHL holds no additional financial investments.

**Cash**

The HIG held £2,637k (2020: £1,254k), of which £104k (2020: £121k) was held in the Composite Account Scheme (CAS account) of cash and cash equivalents as at the reporting date. For the purposes of Solvency II reporting, £104k (2020: £121k) held in bank accounts is subject to a Group offset arrangement are classified as inter-company receivables where members of the wider Group have secured borrowings against those balances. These amounts are instead recognised within receivables and loans & mortgages and have no impact on the total eligible own fund calculations. Refer to E2 where disclosure of the treatment for SCR purposes can be found.

HIL held £2,633k (2020: £1,265k) of cash and cash equivalents, of which £100k (2020: 132k) is subject to the Group offset arrangement.

**Receivables and loans & mortgages**

Receivables and loans & mortgages comprise inter-company receivables, accrued income, insurance receivables and deferred costs, all of which are carried at fair value. The Solvency II position differs from the statutory position as it recognises cash subject to the Group offset arrangement as an inter-company receivable (see Cash). Prepayments and deferred costs are excluded from the Company's total assets under Solvency II and therefore has no effect on cash flow.

### D.2 Technical provisions

The following table analyses the technical provisions and risk margin as at 31 December 2021. HHL does not undertake any underwriting activities and as a result the technical provisions for HIG and HIL are the same.

| HIG | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Technical Provisions per FRS 101** | **Technical Provisions per Solvency II** | **Technical Provisions Per FRS 101** | **Technical Provisions per Solvency II** |
| | ***£’000*** | ***£’000*** | ***£’000*** | ***£’000*** |
| Technical provisions | | | | |
| -Assistance product services | 97 | 128 | 935 | 368 |
| -Risk Margin | - | 19 | - | 46 |
| **Total Technical provisions** | **97** | **147** | **935** | **414** |

| HIL | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Technical Provisions per FRS 101** | **Technical Provisions per Solvency II** | **Technical Provisions Per FRS 101** | **Technical Provisions per Solvency II** |
| | ***£’000*** | ***£’000*** | ***£’000*** | ***£’000*** |
| Technical provisions | | | | |
| -Assistance product services | 97 | 128 | 935 | 368 |
| -Risk Margin | - | 19 | - | 46 |
| **Total Technical provisions** | **97** | **147** | **935** | **414** |

Technical provision for Assistance product services was £97k (2020: £935k). The lower provision is driven by a decrease in Premium HIL receives for the IPA product (post de-couple). For the purposes of Solvency II reporting technical provisions were £128k (2020: £368k). The decrease is due to lower variable costs as a result of the declining IP book and reduction in claims outstanding at the year end.

The difference in the evaluation of technical provisions between Solvency II and the financial statements are principally a result of the following:

- Setting provisions for unexpired risks in Solvency II premium provisions as the expected cost of meeting claims, rather than at 100% of unearned premium, as reported in the financial statements.
- Solvency II technical provisions have decreased during the year as the overall cost base has decreased.
- The addition of the Solvency II Technical Provisions Risk Margin.

No transitional measures are used in the calculation of HIL’s technical provisions and neither are the matching and volatility adjustments. HIL has no active reinsurance arrangements and does not use special purpose vehicles.

HIL has made no material changes in the methodology used in setting technical provisions over the reporting periods. HIG and HIL operate a strategy of managed decline.

The uncertainty associated with technical provisions is low for claims due to the low level, value and predictable number of claims. Provisions for claims expenses depends on the cost base of the business. HIL manages this uncertainty by comprehensive in period claims expense forecasting and this helps reduce any uncertainty.

**Technical provisions**

Technical provisions represent management's best estimate of the Company's claims, unearned premiums and expenses measured at fair value. The best estimate of such liabilities comprises the following three components:

1. Claims outstanding

The outstanding claims provision is based on an estimate of total costs of settling and handling claims received, plus an estimate for the cost of claims incurred but not reported at the balance sheet date, based on historic trends. For 2021 this was based on 11% (2020: 11%).

2. Unearned premium

The provision for unearned premium within the financial statements represents that part of written gross premiums that are estimated to be earned in subsequent periods.

Under Solvency II, provisions for unexpired risks are not set at the value of the unearned premium. Instead HIL's premium provisions are based on the expected cost of future claims payments for these premiums.

3. Expenses

Included within the technical provision for Solvency II purposes is an estimated provision relating to expense and overhead costs associated with servicing the assistance product services policies. This amount is based on profitability forecast data which is reviewed in year and which is not reported within the financial statements.

**Risk margin**

The risk margin is the estimated cost of capital of the Group's and Company's SCR at the prescribed rate of 6% (2020: 6%). As the technical provisions as a whole are equivalent to the amount required to take over and meet the insurance obligations, the HIG's inter-company receivables are excluded when calculating the risk margin.

**D.3 Other liabilities**

The following table analyses the HIG's and HIL's other liabilities as at 31 December 2021.

**HIG**

| | Other Liabilities per FRS 101 *£'000* | Other Liabilities per Solvency II *£'000* | Other Liabilities per FRS 101 *£'000* | Other Liabilities per Solvency II *£'000* |
|---|---|---|---|---|
| Insurance creditors | - | - | - | - |
| Other creditors | 602 | 602 | 558 | 558 |
| **Total Technical provisions** | **602** | **602** | **558** | **558** |

| <u>**HIL**</u> | **2021** | | **2020** | |
|---|---|---|---|---|
| | **Other liabilities per FRS 101** *£'000* | **Other liabilities per Solvency II** *£'000* | **Other liabilities per FRS 101** *£'000* | **Other liabilities per Solvency II** *£'000* |
| Insurance creditors | - | - | - | - |
| Other creditors | 597 | 597 | 554 | 554 |
| **Total other liabilities** | **597** | **597** | **554** | **554** |

Other liabilities, comprising inter-company creditors, tax and sundry accruals are recognised at amortised cost and materially equal to fair value.

### D.4 Alternative Method of Valuation

HIL has no assets or liabilities for which alternative methods, as described in article 10 of the Commissions Delegated Regulations 2015/35, are used in their valuation.

## E: Capital management

### E.1 Own funds

The HIG's own funds comprise of accumulated retained earnings. HIL's own funds comprise of fully paid-up share capital and accumulated retained earnings. Budget outlook is two years which is considered sufficient with HILs strategy of managed decline. Annual capital management plans are considered and approved by the boards along with capital solvency targets.

The following table reconciles the differences between the equity balance per the annual financial statements and the excess of assets over liabilities as calculated for the purposes of Solvency II.

| | **HIG** | | **HIL** | |
|---|---|---|---|---|
| | **2021** *£'000* | **2020** *£'000* | **2021** *£'000* | **2020** *£'000* |
| Assets (D.1) | 14,457 | 14,412 | 16,143 | 16,093 |
| Technical provision (D.2) | (97) | (935) | (97) | (935) |
| Other Liabilities (D.3) | (602) | (558) | (597) | (554) |
| **Equity in the financial statements** | **13,758** | **12,919** | **15,449** | **14,604** |

| | | | | |
|---|---|---|---|---|
| **Items not recognised in financial statements:** | | | | |
| Risk margin | (19) | (45) | (19) | (45) |
| Net unearned premium | (31) | 567 | (31) | 567 |
| Deferred Tax. | - | (60) | - | (60) |
| **Items not recognised under Solvency II:** | | | | |
| Deferred costs and accrued income | (13) | (206) | (13) | (206) |
| **Solvency II basic own funds** | **13,695** | **13,175** | **15,386** | **14,860** |

The eligible amount of own funds to cover the Solvency Capital Requirement and the Minimum Capital Requirement is £13,695k (2020: £13,175k) for the consolidated Group and £15,388k (2020: £14,860k) for HIL. These funds entirely comprise Tier 1 capital and there are no items deducted, or restrictions affecting the availability and transferability of own funds. For HHL and HIL these have increased in the year mainly due profits earned in the year and no dividends being declared and paid (2020 £3.0m). Ensuring internal solvency targets are maintained and supporting the Solvency ratios as the forward looking strategy was being considered and decided upon.

Management's objective is to, at all times, maintain sufficient own funds to meet the SCR with appropriate headroom. The HHL and HIL Boards have determined a minimum capital target of 100% for fixed inter-company receivables and >125% of all other SCR risks and this target is kept under review.

**E.2 Solvency capital requirement and minimum capital requirement**

The amount of the Group's and Company's SCR and MCR is detailed in the table below:

| | **HIG** | | **HIL** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | ***£'000*** | ***£'000*** | ***£'000*** | ***£'000*** |
| SCR | 8,926 | 9,283 | 10,439 | 10,789 |
| MCR | 2,231 | 2,321 | 2,610 | 2,697 |
| Linear MCR | 90 | 362 | 90 | 362 |
| MCR CAP | 4,016 | 4,177 | 4,698 | 4,855 |
| MCR Floor | 2,231 | 2,321 | 2,610 | 2,697 |
| Combined MCR | 2,231 | 2,321 | 2,610 | 2,697 |
| Absolute Floor of the MCR | 2,112 | 2,255 | 2,112 | 2,255 |

The risk components which comprise the Group's and Company's SCR are as follows:

| | HIG | | HIL | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | ***£'000*** | ***£'000*** | **£'000** | **£'000** |
| Market risk | 512 | 716 | 512 | 716 |
| Counterparty risk | 8,594 | 8,630 | 10,111 | 10,143 |
| Underwriting risk | 285 | 671 | 283 | 671 |
| Diversification benefit | (507) | (821) | (509) | (828) |
| **BSCR** | **8,884** | **9,196** | **10,397** | **10,702** |
| Operational risk | 42 | 87 | 42 | 87 |
| **SCR** | **8,926** | **9,283** | **10,439** | **10,789** |
| **SCR%** | **153%** | **142%** | **147%** | **138%** |

Simplifications were not used in the calculations of HIL and HIG's SCR's.

The company has been granted the use of Undertaking Specific Parameters ("USPs"). As a result of this, the standard deviation of premium risk for Miscellaneous is reduced to 6%, based on actual Actuarial modelling using historic claims data to calculate a more accurate standard deviation. This replaces the default standard formula standard deviation of 13%.

The standard inputs into the MCR calculation are the SCR; the technical provisions (excluding risk margin); and net written premiums over the previous 12 months.

The investments held in HIL/HHL are subject to withdrawal restrictions that prevent the group from accessing them on demand, hence inclusion of such balances within the market risk sub-module is most appropriate.

Included in counterparty risk are intercompany balances and CAS account balances, these are both type 2 exposures and are Group risks recoverable over 90 days, therefore attracting a higher capital requirement. The CAS account are subject to an intra-group offset arrangement, whereby amounts are not immediately repayable directly by Barclays until a corresponding amount is deposited by another group party into the CAS accounts, and any asset to the group thereby restricted to the contributions of other group parties. These exposures have been treated consistently with other intercompany balances held by the group.

There have been no breaches to the SCR and MCR over the reporting period. SCR has decreased in the year to £8,923k (2020: £9,283k) due to decrease in underwriting risk where premiums are forecast to decrease due to the de-coupling of the IPA product and a declining policy base (see A.6 above). There has also been a decrease in counterparty risk as the intercompany asset balance decreased slightly due to short term operating impacts.

## E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The duration based equity risk was not used in the calculation of HIL and HIG's SCRs.

**E.4 Differences between the standard formula and any internal model used**

The standard formula, as set out in Articles 100 to 110 in the Solvency II Directive, is used to calculate the SCR.

**E.5 Non-compliance with Minimum Capital Requirements and non-compliance with the Solvency Capital Requirements**

There was no breach of the SCR or MCR during the reporting period, nor is there expected to be for the foreseeable future.

**Appendix 1: Simplified CPPGroup Plc organisation structure**

CPPGroup Plc
No: 7151159
(Previously Cranberry 1 Plc)

CPP Worldwide holdings Ltd
No: 7154018
(Previously Cranberry 22 Ltd)

CPP Holdings Ltd
No: 1659493
(Previously CPP Group Plc / CPP Group Ltd)

Homecare (Holdings) Ltd
No: 3341261

Homecare Insurance Ltd
No: 2793290

## Appendix 2: HIL solo Solvency II Templates

### S.02.01.02

| | Solvency II value |
|---|---|
| **Assets** | C0010 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 2,505,171 |
| Property (other than for own use) | 0 |
| Holdings in related undertakings, including participations | 0 |
| Equities | 0 |
| Equities - listed | 0 |
| Equities - unlisted | 0 |
| Bonds | 0 |
| Government Bonds | 0 |
| Corporate Bonds | 0 |
| Structured notes | 0 |
| Collateralised securities | 0 |
| Collective Investments Undertakings | 0 |
| Derivatives | |
| Deposits other than cash equivalents | 2,505,171 |
| Other investments | 0 |
| Assets held for index-linked and unit-linked contracts | 0 |
| Amount to be included in TR0220 that is not derived from S(E).06.02 | |
| Deposits to cedants | 0 |
| Insurance and intermediaries receivables | 55 |
| Reinsurance receivables | |
| Receivables (trade, not insurance) | 11,092,269 |
| Own shares (held directly) | |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| Cash and cash equivalents | 2,542,495 |
| Any other assets, not elsewhere shown | |
| **Total assets** | 16,139,990 |

| | Solvency II value |
|---|---|
| **Liabilities** | C0010 |
| Technical provisions – non-life | 147,248 |
| Technical provisions – non-life (excluding health) | 147,248 |
| Technical provisions calculated as a whole | 0 |
| Best Estimate | 127,923 |
| Risk margin | 19,325 |
| Derivatives | |
| Debts owed to credit institutions | 9,512 |
| Financial liabilities other than debts owed to credit institutions | 170,750 |
| Insurance & intermediaries payables | 6,023 |
| Reinsurance payables | |
| Payables (trade, not insurance) | 255,813 |
| Subordinated liabilities | 0 |
| Subordinated liabilities not in Basic Own Funds | |
| Subordinated liabilities in Basic Own Funds | 0 |
| Any other liabilities, not elsewhere shown | 164,344 |
| **Total liabilities** | 753,691 |
| **Excess of assets over liabilities** | 15,386,299 |

**S.05.01.02**

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) |
|---|---|---|
| | | Miscellaneous financial loss |
| | | C0120 |
| **Premiums written** | | |
| Gross - Direct Business | **R0110** | 539,315 |
| Net | **R0200** | 539,315 |
| **Premiums earned** | | |
| Gross - Direct Business | **R0210** | 1,392,593 |
| Net | **R0300** | 1,392,593 |
| **Claims incurred** | | |
| Gross - Direct Business | **R0310** | 18,704 |
| Net | **R0400** | 18,704 |
| **Changes in other technical provisions** | | |
| Gross - Direct Business | **R0410** | 0 |
| Net | **R0500** | 0 |
| **Expenses incurred** | **R0550** | 679,756 |
| **Administrative expenses** | | |
| Gross - Direct Business | **R0610** | 39,014 |
| Net | **R0700** | 39,014 |
| **Investment management expenses** | | |
| Gross - Direct Business | **R0710** | 2,767 |
| Net | **R0800** | 2,767 |
| **Claims management expenses** | | |
| Gross - Direct Business | **R0810** | 230,166 |
| Net | **R0900** | 230,166 |
| **Acquisition expenses** | | |
| Gross - Direct Business | **R0910** | 150 |
| Net | **R1000** | 150 |
| **Overhead expenses** | | |
| Gross - Direct Business | **R1010** | 407,660 |
| Net | **R1100** | 407,660 |
| **Other expenses** | **R1200** | |
| **Total expenses** | **R1300** | |

## S.17.01.02

| | | Direct business and accepted proportional reinsurance | Total Non-Life obligation |
|---|---|---|---|
| | | Miscellaneous financial loss | |
| | | C0130 | C0180 |
| **Technical provisions calculated as a whole** | **R0010** | 0 | 0 |
| Direct business | **R0020** | | 0 |
| **Technical provisions calculated as a sum of BE and RM** | | | |
| **Best estimate** | | | |
| **Premium provisions** | | | |
| Gross - Total | **R0060** | 111,273 | 111,273 |
| Gross - direct business | **R0070** | 111,273 | 111,273 |
| Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty | **R0100** | 0 | 0 |
| **Net Best Estimate of Premium Provisions** | **R0150** | 111,273 | 111,273 |
| **Claims provisions** | | | |
| Gross - Total | **R0160** | 16,650 | 16,650 |
| Gross - direct business | **R0170** | 16,650 | 16,650 |
| Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty | **R0200** | 0 | 0 |
| **Net Best Estimate of Claims Provisions** | **R0250** | 16,650 | 16,650 |
| **Total Best estimate - gross** | **R0260** | 127,923 | 127,923 |
| **Total Best estimate - net** | **R0270** | 127,923 | 127,923 |
| **Risk margin** | **R0280** | 19,325 | 19,325 |
| **Amount of the transitional on Technical Provisions** | | | |
| **Technical provisions - total** | | | |
| Technical provisions - total | **R0320** | 147,248 | 147,248 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterpar | **R0330** | 0 | 0 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total | **R0340** | 147,248 | 147,248 |

## S.19.01.21

**Gross Claims Paid (non-cumulative)**
(absolute amount)

| Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 & + | | In Current year | Sum of years (cumulative) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | | C0170 | C0180 |
| Prior | | | | | | | | | | | | | | | | 0 | Prior | 0 | 0 |
| N-14 | 8,658,404 | 2,547,142 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | N-14 | 0 | 11,205,546 |
| N-13 | 9,836,370 | 1,493,852 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | N-13 | 0 | 11,330,222 |
| N-12 | 6,349,062 | 1,579,276 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | N-12 | 0 | 7,928,338 |
| N-11 | 12,550,447 | 2,833,435 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | N-11 | 0 | 15,383,882 |
| N-10 | 22,991,131 | 2,653,430 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | N-10 | 0 | 25,644,561 |
| N-9 | 35,676,373 | 3,613,858 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | N-9 | 0 | 39,290,231 |
| N-8 | 18,801,579 | 1,374,072 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | N-8 | 0 | 20,175,651 |
| N-7 | 3,127,817 | 428,348 | 0 | 0 | 0 | 0 | -18,287 | 0 | | | | | | | | | N-7 | 0 | 3,537,878 |
| N-6 | 585,933 | 193,241 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | N-6 | 0 | 779,174 |
| N-5 | 291,273 | 5,875 | 0 | 0 | 0 | 0 | | | | | | | | | | | N-5 | 0 | 297,148 |
| N-4 | 187,931 | 22,158 | 0 | 0 | 0 | | | | | | | | | | | | N-4 | 0 | 210,089 |
| N-3 | 145,820 | 100 | 0 | 0 | | | | | | | | | | | | | N-3 | 0 | 145,920 |
| N-2 | 75,862 | 0 | 0 | | | | | | | | | | | | | | N-2 | 0 | 75,862 |
| N-1 | 8,892 | 0 | | | | | | | | | | | | | | | N-1 | 0 | 8,892 |
| N | 3,704 | | | | | | | | | | | | | | | | N | 3,704 | 3,704 |
| | | | | | | | | | | | | | | | | | Total | 3,704 | 136,017,098 |

**Reinsurance Recoveries received (non-cumulative)**
(absolute amount)

| Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 & + | | In Current year | Sum of years (cumulative) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | C0600 | C0610 | C0620 | C0630 | C0640 | C0650 | C0660 | C0670 | C0680 | C0690 | C0700 | C0710 | C0720 | C0730 | C0740 | C0750 | | C0760 | C0770 |
| Prior | | | | | | | | | | | | | | | | 0 | Prior | 0 | 0 |
| N-14 | 3,635,484 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | N-14 | 0 | 3,635,484 |
| N-13 | 3,807,487 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | N-13 | 0 | 3,807,487 |
| N-12 | 2,563,899 | 190,878 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | N-12 | 0 | 2,754,777 |
| N-11 | 3,468,126 | 607,103 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | N-11 | 0 | 4,075,229 |
| N-10 | 4,811,071 | 1,280,280 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | N-10 | 0 | 6,091,351 |
| N-9 | 6,206,920 | 1,432,472 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | N-9 | 0 | 7,639,392 |
| N-8 | 4,764,828 | 730,581 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | N-8 | 0 | 5,495,409 |
| N-7 | 840,795 | 7,761 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | N-7 | 0 | 848,556 |
| N-6 | -4,322 | 4,322 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | N-6 | 0 | 0 |
| N-5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | | N-5 | 0 | 0 |
| N-4 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | | | N-4 | 0 | 0 |
| N-3 | 0 | 0 | 0 | 0 | | | | | | | | | | | | | N-3 | 0 | 0 |
| N-2 | 0 | 0 | 0 | | | | | | | | | | | | | | N-2 | 0 | 0 |
| N-1 | 0 | 0 | | | | | | | | | | | | | | | N-1 | 0 | 0 |
| N | 0 | | | | | | | | | | | | | | | | N | 0 | 0 |
| | | | | | | | | | | | | | | | | | Total | 0 | 34,347,685 |

## S.23.01.01

| | Total | Tier 1 - unrestricted |
|---|---|---|
| | C0010 | C0020 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of** | | |
| Ordinary share capital (gross of own shares) | 6,000,000 | 6,000,000 |
| Share premium account related to ordinary share capital | 0 | 0 |
| Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | 0 | 0 |
| Subordinated mutual member accounts | 0 | |
| Surplus funds | 0 | 0 |
| Preference shares | 0 | |
| Share premium account related to preference shares | 0 | |
| Reconciliation reserve | 9,386,299 | 9,386,299 |
| Subordinated liabilities | 0 | |
| An amount equal to the value of net deferred tax assets | 0 | |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | | |
| **Deductions** | | |
| Deductions for participations in financial and credit institutions | 0 | |
| **Total basic own funds after deductions** | 15,386,299 | 15,386,299 |
| **Ancillary own funds** | | |
| Unpaid and uncalled ordinary share capital callable on demand | 0 | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | |
| Unpaid and uncalled preference shares callable on demand | 0 | |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | |
| Other ancillary own funds | 0 | |
| **Total ancillary own funds** | 0 | |
| **Available and eligible own funds** | | |
| Total available own funds to meet the SCR | 15,386,299 | 15,386,299 |
| Total available own funds to meet the MCR | 15,386,299 | 15,386,299 |
| Total eligible own funds to meet the SCR | 15,386,299 | 15,386,299 |
| Total eligible own funds to meet the MCR | 15,386,299 | 15,386,299 |
| **SCR** | 10,439,034 | |
| **MCR** | 2,609,758 | |
| **Ratio of Eligible own funds to SCR** | 1.4739 | |
| **Ratio of Eligible own funds to MCR** | 5.8957 | |
| | | |
| **Reconciliation reserve** | C0060 | |
| Excess of assets over liabilities | 15,386,299 | |
| Own shares (held directly and indirectly) | | |
| Foreseeable dividends, distributions and charges | | |
| Other basic own fund items | 6,000,000 | |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | | |
| **Reconciliation reserve** | 9,386,299 | |
| **Expected profits** | | |
| Expected profits included in future premiums (EPIFP) - Life business | | |
| Expected profits included in future premiums (EPIFP) - Non- life business | | |
| **Total Expected profits included in future premiums (EPIFP)** | 0 | |

## S.25.01.21

| | | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments portfolios |
|---|---|---|---|---|
| | | C0030 | C0040 | C0050 |
| Market risk | **R0010** | 511,549 | 511,549 | 0 |
| Counterparty default risk | **R0020** | 10,111,564 | 10,111,564 | 0 |
| Life underwriting risk | **R0030** | | | 0 |
| Health underwriting risk | **R0040** | | | 0 |
| Non-life underwriting risk | **R0050** | 282,743 | 282,743 | 0 |
| Diversification | **R0060** | -508,600 | -508,600 | |
| Intangible asset risk | **R0070** | 0 | 0 | |
| **Basic Solvency Capital Requirement** | **R0100** | 10,397,256 | 10,397,256 | |

| | | |
|---|---|---|
| **Calculation of Solvency Capital Requirement** | | C0100 |
| Adjustment due to RFF/MAP nSCR aggregation | **R0120** | |
| Operational risk | **R0130** | 41,778 |
| Loss-absorbing capacity of technical provisions | **R0140** | 0 |
| Loss-absorbing capacity of deferred taxes | **R0150** | 0 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | **R0160** | 0 |
| **Solvency Capital Requirement excluding capital add-on** | **R0200** | 10,439,034 |
| Capital add-on already set | **R0210** | 0 |
| **Solvency capital requirement** | **R0220** | 10,439,034 |
| **Other information on SCR** | | |
| Capital requirement for duration-based equity risk sub-module | **R0400** | 0 |
| Total amount of Notional Solvency Capital Requirements for remaining part | **R0410** | |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | **R0420** | |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | **R0430** | |
| Diversification effects due to RFF nSCR aggregation for article 304 | **R0440** | |
| Method used to calculate the adjustment due to RFF/MAP nSCR aggregation | **R0450** | 4 - No adjustment |
| Net future discretionary benefits | **R0460** | |

## S.28.01.01

| | |
|---|---|
| MCRNL Result | 89,590 |

| | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|
| | C0020 | C0030 |
| Medical expenses insurance and proportional reinsurance | 0 | 0 |
| Income protection insurance and proportional reinsurance | 0 | 0 |
| Workers' compensation insurance and proportional reinsurance | 0 | 0 |
| Motor vehicle liability insurance and proportional reinsurance | 0 | 0 |
| Other motor insurance and proportional reinsurance | 0 | 0 |
| Marine, aviation and transport insurance and proportional reinsurance | 0 | 0 |
| Fire and other damage to property insurance and proportional reinsurance | 0 | 0 |
| General liability insurance and proportional reinsurance | 0 | 0 |
| Credit and suretyship insurance and proportional reinsurance | 0 | 0 |
| Legal expenses insurance and proportional reinsurance | 0 | 0 |
| Assistance and proportional reinsurance | 0 | 0 |
| Miscellaneous financial loss insurance and proportional reinsurance | 127,923 | 539,315 |
| Non-proportional health reinsurance | 0 | 0 |
| Non-proportional casualty reinsurance | 0 | 0 |
| Non-proportional marine, aviation and transport reinsurance | 0 | 0 |
| Non-proportional property reinsurance | 0 | 0 |

**Linear formula component for life insurance and reinsurance obligations**

| | C0040 |
|---|---|
| MCRL Result | 0 |

| | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|---|---|
| | C0050 | C0060 |
| Obligations with profit participation - guaranteed benefits | 0 | |
| Obligations with profit participation - future discretionary benefits | 0 | |
| Index-linked and unit-linked insurance obligations | 0 | |
| Other life (re)insurance and health (re)insurance obligations | 0 | |
| Total capital at risk for all life (re)insurance obligations | | 0 |

| **Overall MCR calculation** | C0070 |
|---|---|
| Linear MCR | 89,590 |
| SCR | 10,439,034 |
| MCR cap | 4,697,565 |
| MCR floor | 2,609,758 |
| Combined MCR | 2,609,758 |
| Absolute floor of the MCR | 2,112,250 |

| | C0070 |
|---|---|
| **Minimum Capital Requirement** | 2,609,758 |

## Appendix 3: HIG Solvency II Templates

### S.02.01.02

| | Solvency II value |
|---|---|
| **Assets** | C0010 |
| Goodwill | |
| Deferred acquisition costs | |
| Intangible assets | |
| Deferred tax assets | |
| Pension benefit surplus | |
| Property, plant & equipment held for own use | 0 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 2,505,171 |
| Property (other than for own use) | 0 |
| Holdings in related undertakings, including participations | 0 |
| Equities | 0 |
| Equities - listed | 0 |
| Equities - unlisted | 0 |
| Bonds | 0 |
| Government Bonds | 0 |
| Corporate Bonds | 0 |
| Structured notes | 0 |
| Collateralised securities | 0 |
| Collective Investments Undertakings | 0 |
| Derivatives | |
| Deposits other than cash equivalents | 2,505,171 |
| Other investments | 0 |
| Deposits to cedants | 0 |
| Insurance and intermediaries receivables | 55 |
| Reinsurance receivables | |
| Receivables (trade, not insurance) | 9,406,111 |
| Own shares (held directly) | |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| Cash and cash equivalents | 2,542,495 |
| Any other assets, not elsewhere shown | |
| **Total assets** | 14,453,831 |

| | Solvency II value |
|---|---|
| **Liabilities** | C0010 |
| Technical provisions – non-life | 147,248 |
| Technical provisions – non-life (excluding health) | 147,248 |
| Technical provisions calculated as a whole | |
| Best Estimate | 127,923 |
| Risk margin | 19,325 |
| Technical provisions - health (similar to non-life) | 0 |
| Technical provisions calculated as a whole | |
| Best Estimate | |
| Risk margin | |
| Other technical provisions | |
| Contingent liabilities | |
| Provisions other than technical provisions | |
| Pension benefit obligations | |
| Deposits from reinsurers | |
| Deferred tax liabilities | 0 |
| Derivatives | |
| Debts owed to credit institutions | 9,512 |
| Financial liabilities other than debts owed to credit institutions | 170,750 |
| Insurance & intermediaries payables | 6,023 |
| Reinsurance payables | |
| Payables (trade, not insurance) | 270,813 |
| Subordinated liabilities | 0 |
| Subordinated liabilities not in Basic Own Funds | |
| Subordinated liabilities in Basic Own Funds | 0 |
| Any other liabilities, not elsewhere shown | 169,144 |
| **Total liabilities** | 773,491 |
| **Excess of assets over liabilities** | 13,680,341 |

## S.05.01.02

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) |
|---|---|---|
| | | Miscellaneous financial loss |
| | | C0120 |
| **Premiums written** | | |
| Gross - Direct Business | **R0110** | 539,315 |
| Net | **R0200** | 539,315 |
| **Premiums earned** | | |
| Gross - Direct Business | **R0210** | 1,392,593 |
| Net | **R0300** | 1,392,593 |
| **Claims incurred** | | |
| Gross - Direct Business | **R0310** | 18,704 |
| Net | **R0400** | 18,704 |
| **Changes in other technical provisions** | | |
| Gross - Direct Business | **R0410** | 0 |
| Net | **R0500** | 0 |
| **Expenses incurred** | **R0550** | 685,186 |
| **Administrative expenses** | | |
| Gross - Direct Business | **R0610** | 39,014 |
| Net | **R0700** | 39,014 |
| **Investment management expenses** | | |
| Gross - Direct Business | **R0710** | 2,767 |
| Net | **R0800** | 2,767 |
| **Claims management expenses** | | |
| Gross - Direct Business | **R0810** | 230,166 |
| Net | **R0900** | 230,166 |
| **Acquisition expenses** | | |
| Gross - Direct Business | **R0910** | 150 |
| Net | **R1000** | 150 |
| **Overhead expenses** | | |
| Gross - Direct Business | **R1010** | 413,090 |
| Net | **R1100** | 413,090 |
| **Other expenses** | **R1200** | |
| **Total expenses** | **R1300** | |

## S.23.01.22

| | Total |
|---|---|
| | C0010 |
| **Basic own funds before deduction for participations in other financial sector** | |
| Ordinary share capital (gross of own shares) | 0 |
| Non-available called but not paid in ordinary share capital at group level | 0 |
| Share premium account related to ordinary share capital | 0 |
| Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | 0 |
| Subordinated mutual member accounts | 0 |
| Non-available subordinated mutual member accounts at group level | 0 |
| Surplus funds | 0 |
| Non-available surplus funds at group level | 0 |
| Preference shares | 0 |
| Non-available preference shares at group level | 0 |
| Share premium account related to preference shares | 0 |
| Non-available share premium account related to preference shares at group level | 0 |
| Reconciliation reserve | 13,680 |
| Subordinated liabilities | 0 |
| Non-available subordinated liabilities at group level | 0 |
| An amount equal to the value of net deferred tax assets | 0 |
| The amount equal to the value of net deferred tax assets not available at the group level | 0 |
| Other items approved by supervisory authority as basic own funds not specified above | 0 |
| Non available own funds related to other own funds items approved by supervisory authority | 0 |
| Minority interests (if not reported as part of a specific own fund item) | 0 |
| Non-available minority interests at group level | 0 |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | 0 |
| **Deductions** | |
| Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial a | 0 |
| whereof deducted according to art 228 of the Directive 2009/138/EC | 0 |
| Deductions for participations where there is non-availability of information (Article 229) | 0 |
| Deduction for participations included by using D&A when a combination of methods is used | 0 |
| Total of non-available own fund items | 0 |
| **Total deductions** | 0 |
| **Total basic own funds after deductions** | 13,680 |
| **Own funds of other financial sectors** | |
| Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total | 0 |
| Institutions for occupational retirement provision | 0 |
| Non regulated entities carrying out financial activities | 0 |
| Total own funds of other financial sectors | 0 |
| **Own funds when using the D&A, exclusively or in combination of method 1** | |
| Own funds aggregated when using the D&A and combination of method | 0 |
| Own funds aggregated when using the D&A and a combination of method net of IGT | 0 |
| | |
| Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | 13,680 |
| Total available own funds to meet the minimum consolidated group SCR | 13,680 |
| Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and | 13,680 |
| Total eligible own funds to meet the minimum consolidated group SCR | 13,680 |
| **Consolidated Group SCR** | |
| **Minimum consolidated Group SCR** | 2,232 |
| **Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A )** | |
| **Ratio of Eligible own funds to Minimum Consolidated Group SCR** | 6.1305 |
| **Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A )** | 13,680 |
| **SCR for entities included with D&A method** | |
| **Group SCR** | 8,926 |
| **Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A** | 1.5326 |

| | |
|---|---|
| **Reconciliation reserve** | C0060 |
| Excess of assets over liabilities | 13,680 |
| Own shares (held directly and indirectly) | 0 |
| Forseeable dividends, distributions and charges | 0 |
| Other basic own fund items | 0 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| Other non available own funds | 0 |
| **Reconciliation reserve before deduction for participations** | 13,680 |
| **Expected profits** | |
| Expected profits included in future premiums (EPIFP) - Life business | 0 |
| Expected profits included in future premiums (EPIFP) - Non- life business | 0 |
| **Total Expected profits included in future premiums (EPIFP)** | 0 |

## S.25.01.22

| | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments portfolios |
|---|---|---|---|
| | C0030 | C0040 | C0050 |
| Market risk | 511,549 | 511,549 | 0 |
| Counterparty default risk | 8,594,133 | 8,594,133 | 0 |
| Life underwriting risk | | | 0 |
| Health underwriting risk | | | 0 |
| Non-life underwriting risk | 285,778 | 285,778 | 0 |
| Diversification | -507,219 | -507,219 | |
| Intangible asset risk | 0 | 0 | |
| **Basic Solvency Capital Requirement** | 8,884,241 | 8,884,241 | |

| | |
|---|---|
| **Calculation of Solvency Capital Requirement** | C0100 |
| Adjustment due to RFF/MAP nSCR aggregation | |
| Operational risk | 41,778 |
| Loss-absorbing capacity of technical provisions | 0 |
| Loss-absorbing capacity of deferred taxes | 0 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 |
| **Solvency Capital Requirement excluding capital add-on** | 8,926,019 |
| Capital add-ons already set | 0 |
| **Solvency capital requirement for undertakings under consolidated method** | 8,926,019 |
| **Other information on SCR** | |
| Capital requirement for duration-based equity risk sub-module | 0 |
| Total amount of Notional Solvency Capital Requirements for remaining part | |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | |
| Diversification effects due to RFF nSCR aggregation for article 304 | |
| Method used to calculate the adjustment due to RFF/MAP nSCR aggregation | 4 - No adjustment |
| Net future discretionary benefits | |
| Minimum consolidated group solvency capital requirement | 2,231,505 |
| **Information on other entities** | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) | 0 |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non--regulated entities carrying out financial activities | |
| Capital requirement for non-controlled participation requirements | |
| Capital requirement for residual undertakings | |
| **Overall SCR** | |
| SCR for undertakings included via D and A | |
| **Solvency capital requirement** | 8,926,019 |

## S.32.01.22

| Undertakings in the scope of the group | | | | | | | | Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal name of the undertaking | Type of undertaking | Legal form | Category (mutual/non mutual) | Supervisory Authority | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | YES/NO | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| GB | 213800XHNSW33J9X2Y53 | LEI | Homecare (Holdings) Limited | 5 | Company limited by shares | 2 | Prudential Regulation Authority | 1.0000 | 1.0000 | 1.0000 | 0 | 1 | 1.0000 | 1 | | 1 |
| GB | 213800F8JEMKECKP4509 | LEI | Homecare Insurance Limited | 2 | Company limited by shares | 2 | Prudential Regulation Authority | 1.0000 | 1.0000 | 1.0000 | 0 | 1 | 1.0000 | 1 | | 1 |

# Appendix 4: Group's governance model