Simplyhealth

Simplyhealth Group Limited
& Simplyhealth Access

Solvency and Financial Condition Report (SFCR)

31 December 2018

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Executive Summary

About Simplyhealth

Health is fundamental. But **we understand that getting help with health isn't always easy**. It can be expensive, it can feel like it takes longer than it should and getting it can vary depending on where you live.

We're an organisation that has been helping people overcome these barriers since 1872 because we believe that no-one should go without the healthcare support they need.

We help over three and a half million individuals, families, employees and pets to get support with and be proactive about their own health and wellbeing through our health plans, dental plans and pet health plans, which help towards the cost of healthcare.

We help millions more through our charitable partnerships and our work with public bodies to understand how we can improve healthcare for the long-term. From providing five-year-olds with their first toothbrush, to supporting the elderly on their return home from hospital, we can help reduce health inequality so that everyone can get the health support they need now and in the future.

The following paragraphs provide a summary of the more detailed sections of this report.

Section A: Business and performance

Simplyhealth Group Limited ("the Company") is a private company that is limited by guarantee. The Simplyhealth Group (the Company together with its consolidated subsidiaries, "the Group" or "SHG") reported a loss after tax on continuing operations for the year of £24.5m (2017: profit of £2.2m).

Simplyhealth Access ("SHA"), a regulated insurer of medical expenses within the Group, reported a loss after tax for the year of £9.2m (2017: profit £7.3m). There were no material changes in the types of business written over the reporting period.

Section B: System of governance

The Board of Directors ("the Board") is collectively responsible for ensuring Simplyhealth is successful for the benefit of its stakeholders, setting the strategic direction, providing entrepreneurial leadership and overseeing the effective management of key risks faced by the business.

To assist the Board in carrying out its duties, the Board delegates some of these responsibilities, although not accountability, to a number of Board Committees and to the Chief Executive Officer.

The Group adopts the 'Three Lines of Defence' operating model for defining risk management accountability within roles and responsibilities. This operating model supports strong alignment between risk management, accountability, decision-making and reward.

Simplyhealth has an effective system of governance in place which provides for the sound and prudent management of the business. The system of governance has not changed materially over the reporting period.

Section C: Risk profile

The Board acknowledges that the Group needs to take risks to successfully deliver the strategy. Delivering on business objectives and seizing commercial opportunities requires putting capital at risk in a responsible and structured manner.

Monitoring and responding to changes in the risk profile is integral to managing the business' performance. The identification of risk is carried out on an ongoing basis and is embedded in the business planning process as well as in considering and delivering major business initiatives. This is supported by a number of processes that run throughout the year which are designed to identify and evaluate risks on a formalised and structured basis.

The Solvency Capital Requirement ("SCR") and Own Risk and Solvency Assessment ("ORSA") processes are used to assess the significant risks facing the Group, and the solvency capital required to cover those risks. Simplyhealth's material exposures are underwriting, market and operational risk. The risk profile has not changed materially over the reporting period.

Section D: Valuation for solvency purposes

Under Solvency II, assets and liabilities are valued on a market-consistent basis. The principle underlying the solvency valuation is the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

The table below summarises the material differences between the Solvency II and UK GAAP valuations of assets and liabilities:

		SHG		SHA
	At 31 December 2018 £m	**At 31 December 2017 £m**	**At 31 December 2018 £m**	**At 31 December 2017 £m**
UK GAAP: Equity per audited financial statements	245.6	270.1	185.4	194.6
Inadmissible asset: Goodwill and intangible assets	(41.1)	(68.4)	(1.3)	(1.8)
Inadmissible asset: Deferred acquisition costs	(0.4)	(0.3)	(2.9)	(2.6)
Adjust technical provisions to Solvency II basis	18.5	18.5	17.9	16.5
Deferred tax valuation adjustments	(3.2)	(3.2)	(2.7)	(2.5)
Other valuation adjustments	(2.0)	(1.7)	(0.3)	0.1
Solvency II: Excess of assets over liabilities	**217.4**	**215.0**	**196.1**	**204.3**

Section E: Capital management

The Group manages its capital on both economic and regulatory bases to ensure it has sufficient funds to meet its business objectives, the promises made to policyholders and regulatory requirements.

Simplyhealth has used the Standard Formula method, as prescribed by the European Insurance and Occupational Pensions Authority ("EIOPA"), to calculate the SCR without undertaking-specific parameters or simplifications. Simplyhealth maintained unrestricted tier 1 own funds well in excess of the SCR throughout the reporting period.

		SHG		SHA
	At 31 December 2018 £m	**At 31 December 2017 £m**	**At 31 December 2018 £m**	**At 31 December 2017 £m**
Solvency II eligible own funds	217.4	215.0	196.1	204.3
Solvency Capital Requirement (SCR)	55.8	58.7	55.4	58.2
Solvency II SCR Coverage Ratio	**389%**	**366%**	**354%**	**351%**

Looking ahead

We are not the NHS, neither do we provide private medical insurance, but we do offer a 'third way' of helping people to care for their health, see the healthcare professionals they need quickly and get help towards the cost. While the NHS continues to receive investment it faces ongoing funding challenges, which means there is a greater need for Simplyhealth to play a role alongside the NHS. We are an important part of the health system in the UK that not only helps to relieve pressure on the NHS by encouraging people to take a preventative approach to their healthcare, but also cares for the carers by supporting 107 NHS Trusts with our health plans.

But it doesn't stop there. We know the way in which our customers want to interact with us is changing. Technology is advancing and so we must continue to evolve in order to meet our customers' changing needs.

That is why digital remained a key priority for us in 2018 as we invested in building our in-house capability and developing the online solutions and experiences our customers need. The creation of this team has seen us welcome new talent to Simplyhealth, as well as enable some of our colleagues to develop their careers within the organisation with the creation of a number of new roles.

Looking ahead, we will continue to invest in our digital centre of excellence as a priority and ensure that we use the insight and feedback to improve our service and continue to make it easy for our customers.

Simplyhealth Group Limited

Consolidated statement of comprehensive income

Year ended 31 December 2018

			2018			2017
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m
TECHNICAL ACCOUNT						
Total technical income	**227.2**	-	**227.2**	238.1	-	238.1
Total claims incurred	**(154.1)**	-	**(154.1)**	(157.5)	-	(157.5)
Net operating expenses	**(57.4)**	-	**(57.4)**	(53.7)	-	(53.7)
Balance on the general business technical account	**15.7**	-	**15.7**	26.9	-	26.9
NON-TECHNICAL ACCOUNT						
Investment returns:						
Income from investments	**3.4**	-	**3.4**	3.6	-	3.6
(Losses) / gains on realisation of investments	**(1.3)**	-	**(1.3)**	2.3	-	2.3
Unrealised (losses) / gains on investments	**(5.8)**	-	**(5.8)**	0.4	-	0.4
Investment charges and expenses	**(0.7)**	-	**(0.7)**	(0.6)	-	(0.6)
Other income and charges:						
Other income	**22.3**	-	**22.3**	17.3	2.7	20.0
Other charges	**(31.4)**	-	**(31.4)**	(33.2)	(7.0)	(40.2)
Reversal of impairment of land and buildings	**0.1**	-	**0.1**	0.1	-	0.1
Donations	**(0.9)**	-	**(0.9)**	(0.8)	-	(0.8)
Amortisation of goodwill and other intangibles	**(12.7)**	-	**(12.7)**	(13.0)	(0.1)	(13.1)
(Loss) / profit on ordinary activities before exceptional items and tax	**(11.3)**	-	**(11.3)**	3.0	(4.4)	(1.4)
Profit on sale of investment property	-	-	-	2.2	-	2.2
Exceptional items	**(16.1)**	-	**(16.1)**	-	(5.2)	(5.2)
(Loss) / profit on ordinary activities before tax	**(27.4)**	-	**(27.4)**	5.2	(9.6)	(4.4)
Tax charge / (credit) on profit on ordinary activities	**2.9**	-	**2.9**	(3.0)	1.5	(1.5)
(Loss) / profit and total comprehensive income for the financial year	**(24.5)**	-	**(24.5)**	2.2	(8.1)	(5.9)

Simplyhealth Access

Statement of comprehensive income

Year ended 31 December 2018

	2018 Total £m	2017 Total £m
TECHNICAL ACCOUNT		
Total technical income	**227.2**	238.1
Total claims incurred	**(154.1)**	(157.5)
Net operating expenses	**(82.1)**	(81.7)
Balance on the general business technical account	**(9.0)**	(1.1)
NON-TECHNICAL ACCOUNT		
Investment returns:		
Income from investments	**3.1**	3.6
(Losses) / gains on realisation of investments	**(1.3)**	2.3
Unrealised (losses) / gains on investments	**(5.7)**	0.4
Investment charges and expenses	**(0.7)**	(0.6)
Income from shares in group undertakings	**0.1**	2.5
Other income and charges:		
Other income	**1.6**	1.6
Reversal of impairment of land and buildings	**0.1**	0.1
(Loss) / profit on ordinary activities before tax	**(11.8)**	8.8
Tax credit / (charge) on profit on ordinary activities	**2.6**	(1.5)
(Loss) / profit and total comprehensive income for the financial year	**(9.2)**	7.3

Total technical income has fallen in the year by £10.9m due to the overall reduction in health plans held by individual consumers. Total claims incurred have also fallen in value by £3.4m. The net operating expenses of the Group has increased by £3.7m and for Simplyhealth Access by £0.4m.

The performance of Simplyhealth Group and Simplyhealth Access are analysed in the Annual Report and Financial Statements which can be found on the Group's website and Companies' House.

A. Business and Performance

A.1 Business

A.1.1 Registered office, regulators and external auditors

Simplyhealth has prepared a single Solvency and Financial Condition report ("SFCR") in accordance with waiver 2919907 granted by the Prudential Regulation Authority ("PRA") on 16 November 2016. The single SFCR comprises information on the Group as a whole and information on the wholly owned regulated insurance undertaking within the Group, Simplyhealth Access.

Ultimate parent undertaking:	Simplyhealth Group Limited
Regulated insurance undertaking:	Simplyhealth Access
Registered office:	Hambleden House Waterloo Court Andover Hampshire SP10 1LQ
Independent external auditor:	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Regulators:	The PRA regulates the Group's activities related to the provision of non-life insurance products: Prudential Regulation Authority Bank of England 20 Moorgate London EC2R 6DA The Financial Conduct Authority ("FCA") regulates the Group's activities related to the provision of non-life insurance products, as well as credit and credit related activities to individuals and client companies: Financial Conduct Authority 25 The North Colonnade London E14 5HS

A.1.2 Introduction to key undertakings within the Group

Simplyhealth Group Limited

Simplyhealth Group Limited is a private company that is limited by guarantee. It is the ultimate parent undertaking of a number of subsidiary undertakings. All investments are held either directly by Simplyhealth Group Limited or through 100% controlled subsidiaries.

The Simplyhealth Group is comprised of two principal trading companies: Simplyhealth Access and Denplan Limited. The Group is based entirely within the United Kingdom with its principal offices in Andover and Winchester.

Simplyhealth Access

Simplyhealth Access is a private unlimited company with share capital. It is authorised by the PRA and regulated by the FCA and the PRA to conduct non-life insurance business in the UK. All of the share capital issued by Simplyhealth Access is owned by its immediate parents, Simplyhealth Holdings Limited and Simplyhealth Nominees Limited.

Simplyhealth Access operates as a regulated insurer of medical expenses, offering access to a range of health plans for both individuals and corporate customers. It is the UK's leading health cash plan provider, helping policyholders gain access to everyday healthcare. Key benefit categories within the products include services from dentists, opticians, physiotherapists and chiropractors.

Denplan Limited

Denplan Limited ("Denplan") develops, sells, and administers healthcare payment plans which are sold by dentists to their patients. Denplan also distributes dental insurance products underwritten by Simplyhealth Access to corporate clients and their employees. Denplan is the UK's leading provider of dental plans, and enables customers to budget for preventative dental care, helping to keep teeth and gums healthy and to prevent problems in the future.

Denplan and its subsidiary company The Animal Healthcare Company Limited provide similar services and products to the veterinary profession and pet owners, supporting pet health needs.

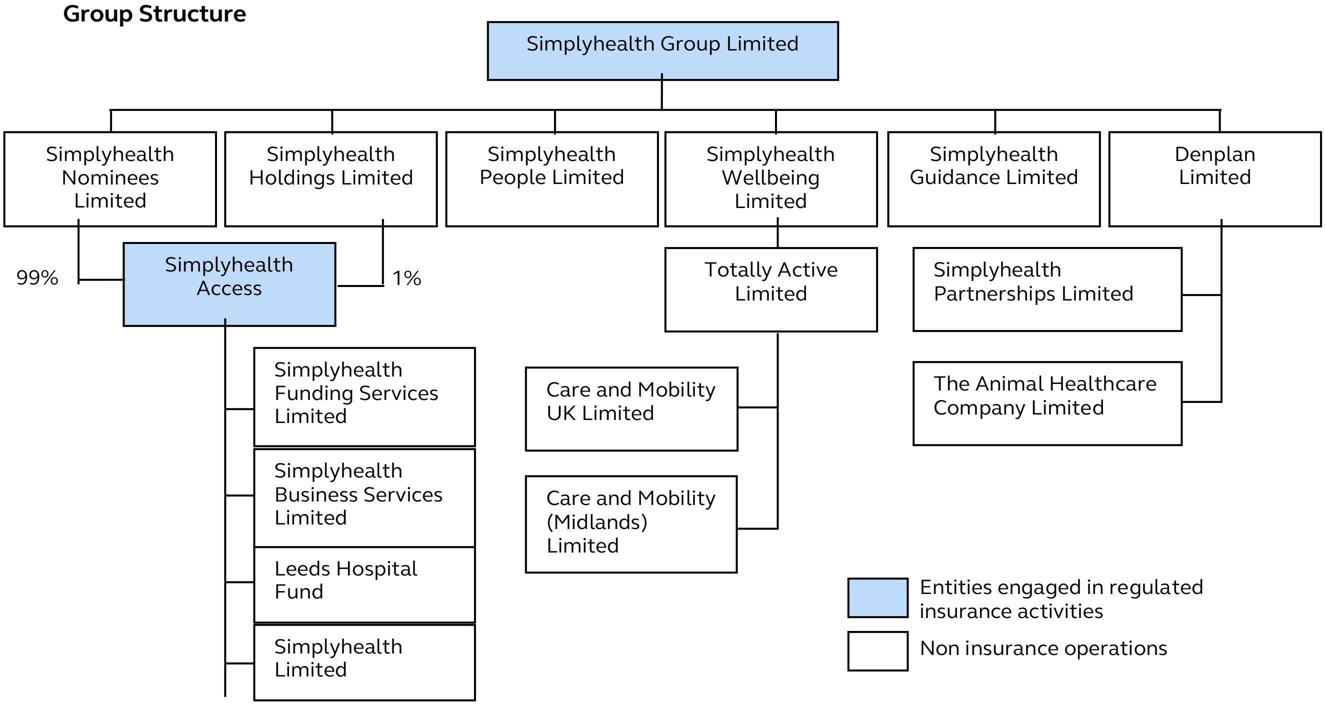
Denplan, through its wholly owned subsidiary Simplyhealth Partnerships Limited, also invests in dental practices by taking 50% interests in joint venture partnerships. The dental partnership programme will see Denplan strengthen its support for, and investment and involvement in our member dentists and in the future of private, preventative dentistry.

A.1.3 Legal Structure

Scope of the Group

There are no differences between the scope of the Group used within the consolidated financial statements and the scope of the Group for consolidated data in calculating group solvency in accordance with Article 335 of the Commission Delegated Regulation (EU) 2015/35 ("Delegated Regulation").

Group Structure



Undertakings within the Group	Company registration number	Principal activity
Incorporated in England and Wales:		
Simplyhealth Group Limited	05445654	Ultimate parent undertaking
Denplan Limited	01981238	Provision of dental scheme administration
Simplyhealth Access	00183035	Provision of insurance services
Simplyhealth Funding Services Limited	03681199	Arrangement of loans to dental practices
Simplyhealth Guidance Limited	10476781	Provision of health related guidance services
Simplyhealth Partnerships Limited	09514902	Provision of investment in joint ventures in dental practices
Simplyhealth People Limited	05551895	Provision of people for Group activities
The Animal Healthcare Company Limited	03302348	Provision of administration for veterinary pet health plans
Non-trading entities:		
Care and Mobility (Midlands) Limited	05156683	Non-trading
Care and Mobility UK Limited	05207914	Non-trading
Leeds Hospital Fund	00064929	Non-trading
Totally Active Limited	04932453	Provision of mobility and health-related products
Simplyhealth Business Services Limited	09523886	Non-trading
Simplyhealth Holdings Limited	05603119	Investment holding company
Simplyhealth Limited	09514902	Non-trading
Simplyhealth Nominees Limited	05603124	Investment holding company
Simplyhealth Wellbeing Limited	05432144	Non-trading

Employees

The average number of employees during the year across the Group was 1,226 (2017: 1,301) of which 773 (2017: 761) worked in Simplyhealth Access.

A.1.4 Significant events during the reporting period

The following significant events took place during 2018:

- We invested in one further dental partnership under the 50% ownership model. We are now invested in five practices with plans to increase at a faster rate in 2019. It is pleasing to see these practices continue to flourish as part of our partnership and their financial performance is an example of commercial success that we intend to build upon.

- In 2018, we transformed our digital capability and now have a digital centre of excellence that is focused on delivering the digital experiences our customers say they want and need to fit around their busy lives.

  A key priority for that team was to evaluate the capabilities of our software and applications to ensure they are scalable and able to adapt to the developing digital landscape. They undertook a review of our internally developed software and tools; their functionality and scalability against the likelihood of more sophisticated and automated systems being available in the market place within the next few years. With the support of external experts we concluded that some of our systems were not constructed in a way that would enable their development and adaptation for the digital future in a cost effective way, particularly in light of the solutions that are already starting to appear in the market. We therefore, decided to halt the development of a significant IT project.

  While this has been a tough decision, given the resources invested to date, we felt that to continue would not be an effective use of funds and would not, as a result of the significant costs to make the software comparable to other market offerings, generate sufficient economic benefit to justify any further development. The decision to stop development significantly limits the future economic value of this project, which has, as a consequence, created an impairment valuation, resulting in a material adjustment of £16.1m in the 2018 results.

- Unfortunately, we had to acknowledge when we weren't delivering the results we were striving for in 2018 and that meant ceasing development of our Care for Life offering. We still believe there is an unmet need in the care space as millions of unpaid carers are struggling to find the information and support they need. However, not all employers recognise the important role they can play to support workers in the workplace. We raised this in our submission to the Work & Pensions Select Committee's report on employment support for working carers.

A.2 Underwriting Performance

A.2.1 Underwriting performance on continuing operations

All premiums are generated through medical expense insurance activity within the UK, with the exception of £0.8m (2017: £1.2m) where the risk falls predominantly in Gibraltar and the Channel Islands. On the basis of materiality, geographical segmental reporting has not been prepared.

		SHG		**SHA**
	2018	**2017**	**2018**	**2017**
	£m	**£m**	**£m**	**£m**
Total technical income	227.2	238.1	227.2	238.1
Total claims incurred	(154.1)	(157.5)	(154.1)	(157.5)
Gross margin	73.1	80.6	73.1	80.6
Net operating expenses	(57.4)	(53.7)	(82.1)	(81.7)
Underwriting performance	15.7	26.9	(9.0)	(1.1)
Claims Loss Ratio ("CLR")	67.8%	66.1%	67.8%	66.1%

Gross margin decreased by £7.5m to £73.1m (2017: £80.6m) as a result of membership reductions during the year.

Simplyhealth Access operating expenses exceed those of the Group as Simplyhealth Access incurs costs in relation to services provided by other Group companies which are eliminated on consolidation.

A.2.2 Discontinued operations

Retail

In October 2017 we made the difficult decision to close our store-based retail proposition, The Unlimited Company. Developed as an innovative retail format to provide better support to an ageing population, people with mobility requirements, and their carers, The Unlimited Company centred on well-designed stores offering an appealing range of products, complemented by quality, dedicated online and in-the-field expertise. We saw a shift in the requirements of customers and mobility products being provided by large general retailers and online providers. This significantly changed the future sustainability of the proposition which led to the difficult decision to close.

Private Medical Insurance

On 1 August 2015 the Group sold the fixed assets, goodwill and other trading assets, and also reinsured 100% of the insurance liabilities and net premiums of its Private Medical Insurance ("PMI") business, under two separate agreements with AXA PPP healthcare Limited ("AXA PPP"). All outstanding balances in relation to this agreement have been settled.

During the year the Group has continued to operate the run off of the PMI business under these agreements. Their effect is that all premiums earned and claims incurred by the Group in the current year are matched by amounts due to/from AXA PPP and there is no net profit or loss for the year.

Gross premiums written in relation to discontinued operations amounted to nil in 2018 (2017: £0.4m).

A.3 Investment Performance

A.3.1 Investment portfolio

Simplyhealth's collective investment portfolio is comprised of bonds, collective investment undertakings and derivatives:

1. Short-Term Money Market Fund ("STMMF")

Short-term realisable investments including cash, certificates of deposit and treasury bills, held to support liquidity requirements. This fund is classified as a cash equivalent under UK GAAP as its duration is less than 90 days from the date of deposit, but it is classified as an investment under Solvency II. This fund is managed by Royal London Asset Management on behalf of Simplyhealth.

2. Cash-Plus Fund ("CPF")

Investments in this fund include certificates of deposit, treasury bills and bonds, and they typically have a longer duration than the STMMF. This fund is managed by Royal London Asset Management on behalf of Simplyhealth.

3. Core Fixed Income Fund ("CFIF")

This is a dedicated Simplyhealth fund with the investment objective of capital preservation over investment return. Investments include bonds and fixed income securities, including derivatives that are used to hedge or facilitate efficient portfolio management. The CFIF's exposure to foreign currencies is continually managed under a rolling hedge strategy which utilises forward foreign exchange contracts. This fund is managed by Schroder Investment Management Limited on behalf of Simplyhealth.

4. Dynamic Multi-Asset Fund ("DMAF")

This fund's investment objective is to deliver positive returns over a market cycle within a defined risk appetite, based on long-term capital growth and income, through investment in collective investment schemes as well as directly held transferable securities, derivatives, cash, deposits, warrants and money market instruments. The exposures in this fund are managed using active asset allocations complemented by a systematic approach to volatility management. This fund is managed by Schroder Investment Management Limited on behalf of Simplyhealth.

A.3.2 Investment performance during the year

Investment losses (including investment income and management fees) of £4.4m were incurred by SHG (2017: gain of £5.7m) during the year. Equities and fixed income securities within the DMAF portfolio performed weakest through the year with concerns over global growth and potential increases in interest rates, detracting from returns.

All gains or losses on financial investments are recognised through the statement of comprehensive income.

The tables below exclude returns from investments in subsidiary undertakings.

SHG:	Debt Instruments	Collective Inv Undertaking	Derivatives	Other	**Total**	Debt Instruments	Collective Inv Undertaking	Derivatives	Other	**Total**
					2018					**2017**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Income from investments	2.5	0.8	-	-	**3.3**	2.3	1.3	-	-	**3.6**
Gains / (losses) on realisation of investments	(1.2)	-	(0.1)	-	**(1.3)**	1.7	-	0.6	-	**2.3**
Unrealised gains / (losses) on investments	0.6	(5.0)	(1.3)	-	**(5.7)**	(4.3)	3.9	0.8	-	**0.4**
Investment charges and expenses	-	-	-	(0.7)	**(0.7)**	-	-	-	(0.6)	**(0.6)**
Net investment returns	**1.9**	**(4.2)**	**(1.4)**	**(0.7)**	**(4.4)**	**(0.3)**	**5.2**	**1.4**	**(0.6)**	**5.7**

SHA:	Debt Instruments	Collective Inv Undertaking	Derivatives	Other	**Total**	Debt Instruments	Collective Inv Undertaking	Derivatives	Other	**Total**
					2018					**2017**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Income from investments	2.3	0.8	-	-	**3.1**	2.3	1.3	-	-	**3.6**
Gains / (losses) on realisation of investments	(1.2)	-	(0.1)	-	**(1.3)**	1.7	-	0.6	-	**2.3**
Unrealised gains / (losses) on investments	0.6	(5.0)	(1.3)	-	**(5.7)**	(4.3)	3.9	0.8	-	**0.4**
Investment charges and expenses	-	-	-	(0.7)	**(0.7)**	-	-	-	(0.6)	**(0.6)**
Net investment returns	**1.7**	**(4.2)**	**(1.4)**	**(0.7)**	**(4.6)**	**(0.3)**	**5.2**	**1.4**	**(0.6)**	**5.7**

A.4 Performance of other activities

A.4.1 Other material income and expenses

The following material income and expenses were incurred from other activities during the reporting year:

1. Other income and charges within continuing operations includes the consolidated results from the non-insurance companies within the Group. Denplan is the major contributor to this through its administration of capitation plans within the dental and veterinary markets.
2. As detailed in A1.4 we decided to halt the development of one significant IT project which significantly limited the future economic value of this project, which created an impairment valuation and a material adjustment of £16.1m in the 2018 results, this impairment is shown as an exceptional item in the statement of comprehensive income.

A.4.2 Material leasing arrangements

Payments in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. Simplyhealth is obligated to the following minimum lease payments under non-cancellable operating leases as at 31 December 2018:

	SHG £m	SHA £m
- within one year	1.0	0.2
- between one and five years	2.7	0.5
- in more than five years	1.1	-
Total	**4.8**	**0.7**

A.5 Any other information

There is no other material information to disclose in respect to the business or performance.

B. System of Governance

B.1 General information on the system of governance

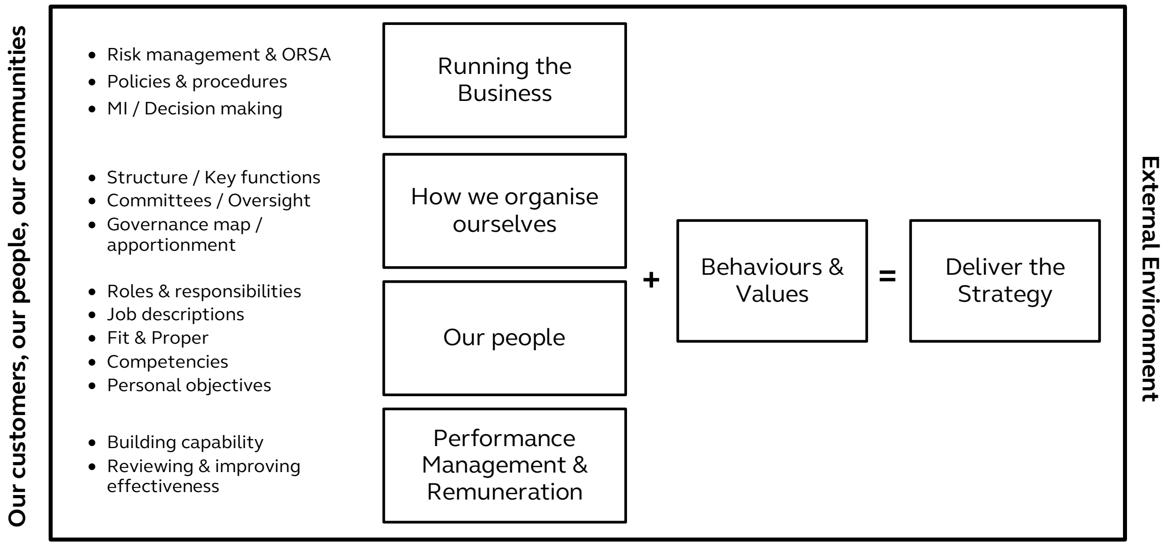
B.1.1 Incorporation and constitution

Simplyhealth Group Limited is a company limited by guarantee. The Memorandum and Articles of Association of Simplyhealth Group Limited define the purpose of Simplyhealth, the responsibilities of its Directors and the relationship between Simplyhealth and its voting members.

Simplyhealth is committed to mutual values and to re-investing retained profits for the benefit of its customers, its people and the communities in which it operates, as well as dedicating at least 10% of pre-tax profits to health-related charitable activities every year. The Group's purpose is to help improve access to healthcare, being there for the many and not just the few. Accordingly, the system of governance is designed to ensure that the Group and its constituent parts are well positioned to continue to deliver this purpose while effectively managing the risks associated with the underlying business activities. The system of governance is reviewed annually by the Board.

As the Group has neither shareholders nor a requirement to distribute profits to members, the roles of voting members and the Board of Directors in providing effective governance are particularly important. The Group Constitution, as illustrated below, provides an overview of the principles of the system of governance and how it is a foundation for the delivery of the Group's strategy.

Simplyhealth Group Constitution – Memorandum & Articles of Association



Successful & strong

B.1.2 The Voting Members

The Group is governed by its voting members who have no beneficial interest in, or rights to, its assets. The voting members have the responsibility to exercise their membership rights, including voting rights, with a view to promote the objects of Simplyhealth in the best interest of the Group and its customers (present and future) as detailed in the Memorandum of Association.

The Group's voting members make decisions at its general meetings by ordinary or special resolutions.

B.1.3 The Board of Directors

The Directors who served during the reporting year were:

Ken Piggott	Non-Executive Chairman	
Mike Hall	Non-Executive	
Richard Harris	Non-Executive	
Alex Pike	Non-Executive	(resigned 15 February 2019)
John Maltby	Non-Executive	(appointed 25 June 2018)
Gil Baldwin	Non-Executive	(appointed 1 March 2018)
Romana Abdin	Chief Executive	
Ben Kent	Executive	(resigned 5 October 2018)

The company secretaries who served during the year and up to the date of approval of this report were:

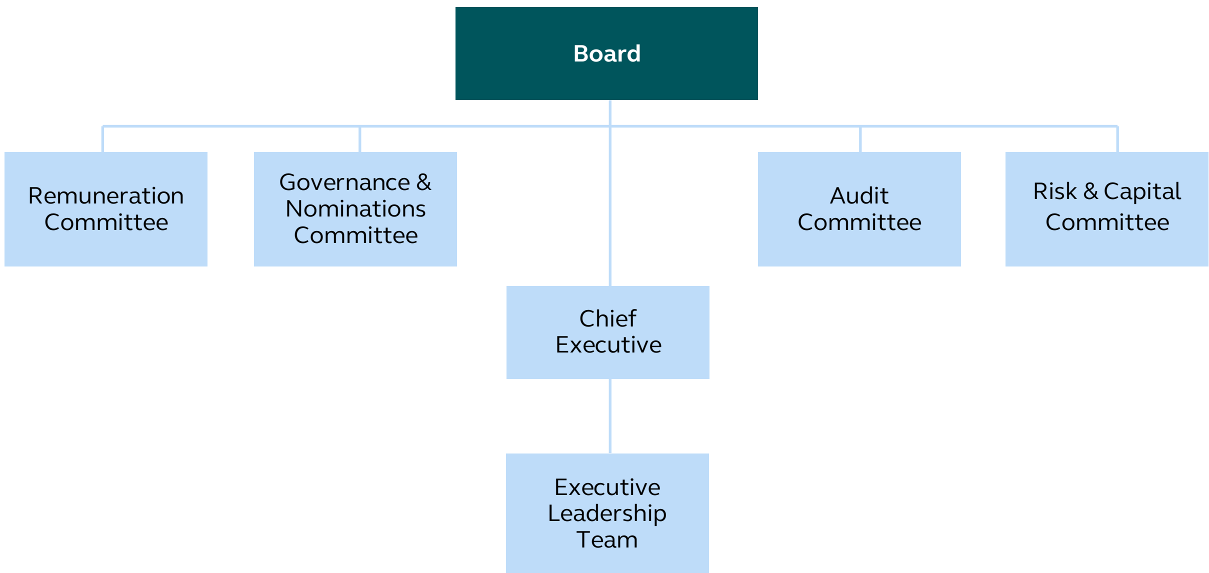
Helen Dickinson	(appointed 29 January 2018 and resigned 25 July 2018)
Helen Ashton	(appointed 25 July 2018 and resigned 16 November 2018)

B.1.4 Governance Structure

The Group's decision-making and organisational structure support the effective governance of the business in meeting its strategic goals, the effective delivery of excellent levels of service to its customers, and its operation within applicable regulations. The governance model is designed to be proportionate to the nature, scale and complexity of the risks facing the Group.

The Board assesses and regularly reviews the ethical and economic position of the business and considers significant changes affecting factors such as the organisation, operations, customers, external environment, the financial position and the risk profile of the Group. This oversight is provided through the operation of Board Committees.

B.1.5 The Simplyhealth Group committee structure



The role of the Board

The Board is collectively responsible for ensuring Simplyhealth is successful for the benefit of its stakeholders, setting the strategic direction, providing entrepreneurial leadership and overseeing the effective management of key risks faced by the business.

The Board is accountable for ensuring effective governance, overseeing financial control of the business, ensuring that investments are managed properly, that all material business risks are managed and that funding is allocated efficiently and according to capital adequacy requirements. It is also accountable for ensuring that the company stays true to its Constitution, and is in a position to achieve its corporate giving as an intrinsic part of delivering Simplyhealth's purpose.

To assist the Board in carrying out its duties, the Board delegates some of these responsibilities, although not accountability, to a number of Board Committees and to the Chief Executive Officer. The Board Committees operate under delegated authority from the Board, enabling specific matters to be considered in depth and reported back to the Board and, where appropriate, making recommendations for final decision by the Board.

The Remuneration Committee

This committee is responsible for:

- Developing and recommending to the Board the remuneration principles for the Chairman, Chief Executive, Executive Directors, Company Secretary and the Executive Leadership team, having regard to advice from internal and external guidance.
- Recommending to the Board the individual remuneration packages of those posts outlined above, including any bonuses and any other incentive payments.
- Setting and reviewing the principles and parameters of the remuneration policy on a group-wide basis.

The committee recognises the need to secure the right people for Simplyhealth, and ensures individuals are rewarded based on performance that is consistent with the delivery of Simplyhealth's purpose, values and long-term strategy.

The Governance and Nominations Committee

This committee is responsible for:

- Evaluating and monitoring the governance framework, including the governance structure and governance principles, to ensure they meet the Group's current and future strategic needs and support best practice.
- Recommending to the Board candidates for appointment to ensure that collectively the balance of skills, experience, independence, knowledge and diversity on the Board are appropriate to Simplyhealth's operations and the regulated environment in which it operates.
- Periodically evaluating the composition and performance of the Board, its Committees and individual Directors.
- Ensuring appropriate succession plans are in place for key roles.

The Audit Committee

This committee is responsible for:

- Reviewing the effectiveness of the system of control for managing financial and non-financial risks.
- Monitoring the integrity of the financial statements including significant reporting judgements contained within them.
- Reviewing and monitoring the effectiveness and objectivity of both the internal and external audit function.
- Reviewing the effective implementation and operation of regulatory requirements and obligations.
- Reviewing reports and recommendations provided by internal and external audit and other assurance functions.
- Reporting and making recommendations to the Board on any matters where it considers that action or improvement is needed.
- Overseeing the adequacy and effectiveness of the Group's 'whistleblowing' arrangements.
- Annual review of the Governance Map.

In doing so, the Audit Committee ensures that the delivery of Simplyhealth's strategy is subject to scrutiny and challenge, and its system of control is proportionate to the risks faced.

The Risk and Capital Committee

This committee is responsible for:

- Overseeing, understanding and reviewing the Group's risk profile, advising the Board on principal risk exposures and future risk strategy, including recommending the levels of key risk appetite for the business.
- Reviewing and challenging the management of risk, ensuring suitable risk management techniques and disciplines are applied, and ensuring that the capital held by the business supports its risk profile.
- Ensuring that future capital requirements of the business are appropriately and adequately considered and planned for over the business planning horizon. This includes ensuring the robustness and adequacy of the ORSA.
- Overseeing and advising the Board on the embedding and maintenance of a suitable risk management culture in Simplyhealth in accordance with the risk management framework.
- Supporting the stewardship of the Group's assets and the prudent use of resources to deliver prosperity, growth and long-term sustainability.

Chief Executive delegated authority

The setting of, and overseeing delivery of, the strategy is the responsibility of the Board. The Board delegates the responsibility to lead Simplyhealth to the Chief Executive, and the Chief Executive in turn delegates defined levels of responsibility for strategic and operational decision-making and oversight to members of the Executive Leadership Team.

The Chief Executive of Simplyhealth has delegated authority from, and is responsible to, the Board for directing and promoting the successful operation and development of Simplyhealth, implementing the strategy set by the Board to deliver our purpose, in a way that is consistent with our values and risk appetite.

Supporting this, the Chief Executive has a robust operational governance structure in place to manage the performance of the business and the delivery of the strategy.

The Executive Leadership Team

The Executive Leadership Team comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Customer Officer, the Chief Strategy Officer, the Chief Operating Officer, the Managing Director of Corporate & Consumer, and the Managing Director of Professionals.

Its responsibilities include:

- Formulating (for Board approval), reviewing, communicating and managing the delivery of the Group's strategy, taking into account Simplyhealth's purpose, risk profile, capital requirements and solvency position.
- Leading performance across the Group, including operational, financial and people matters, reporting results to the Board and its committees as required.
- Maintaining an effective organisational structure which supports delivery of strategic and operational plans and manages succession planning for key roles.
- Ensuring the Group maintains an effective internal control framework, which supports compliance with relevant legislation and regulations.
- Monitoring and reviewing the risk profile of the Group such that this enables the Group to mitigate significant operational, financial, compliance and other risks, in line with the Group's risk appetite, reporting these to the Board as required.
- Quarterly review and agreement of the Governance Map.

Company Secretary

The Company Secretary's responsibilities include:

- Ensuring Board procedures are followed and regularly reviewed.
- Oversight of second line accountabilities supporting the effective identification, management and mitigation of risks.

B.1.6 Key control functions

The Group's key control functions are Risk Management, Compliance, Actuarial and Internal Audit. These functions play an integral role in the system of governance as they provide oversight, challenge and independent assurance of the activities performed by the business to ensure risks are being managed appropriately.

Further descriptions of the roles, responsibilities and resources of the key control functions are provided in sections B.3 (risk management system), B.4 (internal control system), B.5 (internal audit function) and B.6 (actuarial function).

B.1.7 Material changes in the system of governance

There were no material changes in the system of governance over the reporting period.

B.1.8 Remuneration policy

B.1.8.1 Overarching approach to remuneration

The Group's remuneration policy is designed to reward the successful achievement of business objectives and incentivise individuals to deliver these in a responsible and appropriate way. This is achieved by offering a market-competitive reward structure which supports the Group's proposition as an employer of choice that is conducive to the Simplyhealth brand. The remuneration policy applies to all entities and employees, including the Executive Directors.

Reward comprises a number of separate elements including individual base pay, company performance bonuses and a choice of employee benefits. The proportion of fixed versus variable remuneration at different levels within the organisation is carefully considered to ensure there is not an over-reliance on variable remuneration and that remuneration does not incentivise an individual to take risks or act in a manner which is not in the long-term interests of the Group or its stakeholders. Remuneration arrangements are recorded at an individual bonus scheme level, demonstrating how they link to the Group's Remuneration Principles and its alignment to the business strategy and risk appetite.

All bonus schemes are based on both collective and individual performance and behaviours. The amount paid on all bonus schemes is determined at the end of the financial year having reviewed business performance results and the capital adequacy position. Bonuses would be at risk if there were shortfalls in performance or in the management of principal risks. All results are subject to the external audit of the year-end financial accounts.

B.1.8.2 Directors' Remuneration Policy

The Company recognises the importance of the Board of Directors in setting the values and direction of the Company. In order to attract and retain Directors with the required skills and experience, the Company must be competitive in the rewards offered to its Directors while ensuring that their remuneration promotes the long-term success of the Company and the Group. All rewards are set by the Remuneration Committee of Non-Executive Directors of the Board, after comparison with market data provided by external consultants.

Non-Executive Directors

The role of the Non-Executive Directors is to provide challenge and advice, and to oversee the performance of the Company and Group. Simplyhealth therefore regards it as inappropriate that they should be financially incentivised on the Group's profitability or other financial performance measures. Each Non-Executive Director is paid a fee, with further allowances paid to those who take on extra roles, such as chairing one of the Board sub-committees, or acting in the capacity of Senior Independent Director.

The Non-Executive Directors are not employees of any company in the Simplyhealth Group, and are appointed to three-year terms, renewable by re-election for up to a further two periods of three years each. It is normal company policy to rotate the Non-Executive Directors in order that they retain their independence and objectivity.

Executive Directors

The role of the Executive Directors is to run the Company and Group on a day-to-day basis and Simplyhealth therefore regards it as essential that they are incentivised to meet its business goals. It is the Company's belief that each Executive Director must deliver and contribute to the overall success of the business and work effectively within the Executive Team, as they cannot deliver alone. Therefore they are rewarded on both personal and collective performance. Executive Director Remuneration is made up of the following elements:

- Salary and benefits – which are contractual as an employee of the Company and Group, and are set competitively against market norms. Salary will not be increased in line with market norms where individual performance and leadership behaviours are not at the level required for successful stewardship of the business.
- Annual bonus – the level of which is decided based on the achievement of overall business objectives for the year and the individual performance and leadership behaviours of the Executive.

- Long Term Incentive Plan (LTIP) – the Group is currently running two separate LTIP schemes. A new scheme was implemented on 1 January 2018 and is based on the achievement of business objectives over a seven year period. This new incentive plan was created to drive commercial success over a longer period, incentivising the Executive team to take decisions in the long term interest of the business promoting sustainability, as well as retaining their skills in the absence of a share option scheme.

  The 2017 Scheme, which is based on a three year performance period, continues to run alongside the new scheme until it vests at the end of 2019 with payments being made in 2020. The 2016 Scheme vested on 31 December 2018. The liability arising under this scheme will be paid in 2019.

The Executive Directors are permanent employees and employment continues until terminated by either party under the terms of the contract of employment. The notice period of these contracts is twelve months.

Pay and benefits in the year

The following amounts were paid or payable to the Directors for their service during the year:

Executive Directors	Salary £	Bonus £	Benefits £	2018 Total £	2017 Total £
Romana Abdin	390,551	103,574	124,385	618,510	752,722
Ben Kent	272,897	72,372	75,124	420,393	474,698
Total	**663,448**	**175,946**	**199,509**	**1,038,903**	**1,227,420**
Non-Executive Directors					
Ken Piggott	139,766	-	-	139,766	137,025
Mike Hall	59,831	-	-	59,831	58,083
Richard Harris	65,606	-	-	65,606	64,683
Alex Pike (resigned 15 February 2019)	47,106	-	-	47,106	46,183
Gil Baldwin (appointed 1 March 2018)	38,675	-	-	38,675	-
John Maltby (appointed 25 June 2018)	28,370	-	-	28,370	
Total	**379,354**	**-**	**-**	**379,354**	**305,974**

The Executive Directors opted to receive a cash payment in lieu of pension contributions.

B.1.8.3 Long-Term Incentive Plan (LTIP)

All of the Executive Directors participate in an LTIP, which effectively provides an incentive payment based on the business performance over the relevant LTIP Performance period. The payment value is calculated as follows:

The 2016 and 2017 Schemes which are based on a three year performance period applied a flat 68% allocation to the Director's salary at 1 January 2017.

The 2018 Scheme makes an initial allocation of 68% of the Director's salary at 1 January 2018 and then applies a multiplier of 5 times this number to calculate the Director's entitlement at the end of the seven year vesting period. This calculation covers the Directors full entitlement in the seven year period and no further LTIP allocations will be granted until this Scheme vests.

- At the beginning of the relevant LTIP performance period, the Board agrees the key long term objectives and targets, both financial and non-financial. At the end of each year, the Remuneration Committee reviews progress towards the objectives and targets and ensures that these remain appropriate and relevant for the remainder of the performance period.

- At the end of the performance period the Remuneration Committee reviews performance against the objectives and targets to determine the amount of LTIP payment. None of the initial allocation is guaranteed meaning that if performance is below the required level less than, or none of, the allocation may be paid.

- If performance exceeds the objectives and targets set in respect of the 2016 and 2017 Schemes, the Directors would be entitled to an additional payment of up to 1.5 times the notional value. As at 31 December 2018 no such additional payments were due.

- The 2018 Scheme does not allow for any additional payments in excess of the notional value however if the objectives and targets set at the start of this Scheme are met before the seven year performance period is complete, the vesting of awards can be accelerated. However no payment can be made before 1 January 2020.

All amounts are payable in cash, since the Company has no shares. The following movements took place during the year in respect of the directors who are members of the schemes:

The table below shows the amount of LTIP accrued, paid and payable in respect of the scheme during the reporting year.

	Notional value at 31 Dec 2017	Amounts paid in 2018	Amounts granted in 2018	Notional value at 31 Dec 2018	Amounts payable at 31 Dec 2018
	£	£	£	£	£
Romana Abdin	417,316	(181,336)	311,191	547,171	189,266
Ben Kent	293,872	(127,950)	87,119	253,041	133,546
Total	**711,188**	**(309,286)**	**398,310**	**800,212**	**322,812**

B.1.9 Material related party transactions

The Company does not have any shareholders and there have been no material transactions with persons who exercise a significant influence on the group or with members of the administrative, management or supervisory body.

No member of the Board of Directors had any interest in any contracts with the Group at the end of the year or at any time during the year, except that they are all contributors of Simplyhealth Group Limited as required by the Articles of Association.

B.2 Fit and proper requirements

The Group's fitness and propriety policy reflects the Senior Insurance Manager Regime ("SIMR") fit and proper requirements. The Group ensures that the persons accountable for the running of Simplyhealth, or who are in key functions, have the following required attributes to enable them to perform their role effectively and in accordance with any relevant regulatory requirements:

1. Personal characteristics, including being of good repute and integrity;
2. Competence, knowledge and experience;
3. Qualifications;
4. Has undergone or is undergoing the required level of training; and
5. Is regarded as a custodian for the benefit of future generations.

The Nominations Committee ensures the Board and Key Function Holders collectively possess appropriate qualifications, experience and knowledge about, at least, the following:

- Insurance and financial markets;
- Business strategy and business model;
- Solvency II requirements for the system of governance;
- Financial and actuarial analysis; and
- Regulatory framework and requirements.

The Group employs the following procedures to assess the fitness and propriety of persons approved to perform a controlled function and other notified Key Function Holders:

- Competency-based recruitment processes;
- Induction programme, including specific briefings for Approved Persons;
- Background checks, including criminal records, credit references and employment references, through an external agency;
- Performance against the applicable PRA Conduct Standards and FCA Conduct Rules;
- Regular performance reviews and assessments carried out at least annually; and
- Self-attestation annually.

Simplyhealth's assessment of fitness and propriety includes reviewing:

- Personal characteristics e.g. honesty, integrity and reputation;
- Financial soundness;
- Competence and capability e.g. qualifications, knowledge, experience, training;
- Past business conduct and ongoing performance against conduct standards;
- Time commitment; and
- Any conflicts of interest.

With respect to the appointment of the Approved Person, both Simplyhealth and the individual concerned are required to declare that the information supplied in support of the application is accurate and complete to the best of the their knowledge. The PRA and FCA will validate the information provided against their records. The regulator may also interview candidates applying to perform certain roles.

Approved Persons receive a briefing from Simplyhealth on appointment and annually thereafter. It is designed to inform them of the following:

- The objectives of the PRA and FCA;
- The high level regulatory requirements applicable to the regulated business of Simplyhealth;
- How individual fitness and propriety is assessed;
- Where individual accountabilities are documented;
- When the regulator might take enforcement action; and
- The changes that need to be notified to the regulator.

Persons approved to perform a controlled function are required to maintain their 'fit and proper' status.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 The role of risk management

The Board considers risk management to be a fundamental part of our purpose and a significant aspect of corporate governance. The effective management of risk is central to the Group's culture and decision-making and provides an essential contribution towards the achievement of the Group's strategy as a trusted business.

The Group has developed an Enterprise Risk Management Policy that stipulates the minimum standard for risk management and internal control for all parts of the Group and for all categories of risk.

In turn, this enables reasonable assurance to be provided to the Board and external stakeholders that Simplyhealth is achieving the following risk management and internal control objectives:

- Effective risk and capital management that secures an appropriate level of solvency for the Group and protection for policyholders;
- Strong alignment between risk management, accountability, decision-making and reward;
- Effective and efficient operations that are aligned to the Group's strategic objectives and risk appetites;
- Reliable non-financial and financial information, that meets internal and external reporting requirements including prudential reporting and supports effective oversight and decision-making; and
- Compliance with applicable and emerging laws, regulations and administrative provisions.

B.3.2 Risk management approach

The Group adopts a responsible and balanced approach to risk-taking so that significant risks are identified and managed. This supports long-term sustainability and growth and enables the Group to respond dynamically to strategic opportunities while maintaining an appropriate and proportionate approach to running the business.

The Group's approach to risk management consists of the following components:

1. Agreement of Board risk appetite statements in relation to defined risks, which sets the philosophy and high level measures for the level of risk the Group is willing to accept.
2. A risk management system which ensures that all principal risks are identified, assessed and managed in accordance with the risk appetite framework. The Group's risk management policies are reviewed at least annually.
3. Regular risk monitoring and reporting, ensuring any concentration of risk by risk type, entity or function is assessed and management action agreed on a timely basis. Group Risk Reporting provides an assessment of risk at both the Group, Business Unit and where appropriate functional level.
4. An effective risk and control culture which is focused on the sustainability of Simplyhealth, risk awareness, ethical behaviour and the fair treatment of customers and employees.

B.3.3 Risk management framework

The Group maintains a risk management framework which establishes how risk management operates across the business. This framework links together our operating environment, business strategy, decision-making and capital management, alongside defined risk appetites, so that there is an appropriate forward-looking view of the risks facing our business.

The framework is used to provide a comprehensive and consistent approach for identifying, assessing, mitigating, monitoring and reporting risk, for establishing risk appetite and for managing capital. The framework sets out the processes involved in the identification, assessment, mitigation, monitoring and reporting of risk, required to meet the Group's commercial, strategic and regulatory objectives, including the requirements of the UK financial services regulators and the Solvency II Directive.

B.3.4 Three Lines of Defence

The Group has adopted the 'Three Lines of Defence' operating model to define risk management accountability within roles and responsibilities.

First Line of Defence

- Performs risk management activities in line with risk standards, including ensuring adequate assessment of both the risk and its control strategy.
- Includes the day to day management of risk as well as risk-based decision-making within risk appetite.
- Establishes and reports against a range of key risk and control indicators.
- Proactively monitors the risk and control environment relevant to their part of the business.

Second Line of Defence

- Responsible for developing and overseeing the Group risk management strategy, the framework for identifying and managing risk and the risk standards which support the Group operating within its risk appetite.
- Supports the setting of Board Risk Appetite triggers and monitors business activity against those triggers.
- Acts as a business partner, helping the business analyse risk-taking against risk appetite to better support the strategic direction of the business.
- Critically assesses the first line assessments of risk and controls.
- Performs evaluations of risk management effectiveness against a range of external benchmarks.

Third Line of Defence

- Provides objective assurance over the effective and efficient operations of the roles, responsibilities and activities of the first and second lines.

B.3.5 Risk governance

The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives, including the setting of the Group's overall risk appetite. The Board delegates oversight of risk management to the Risk and Capital Committee.

The day to day oversight and challenge of the Group's risk management and reporting processes rests with the Group Risk Function. The consolidated risk report produced by this function is firmly embedded in the Group's management and Board reporting. This report enables the monitoring of risk-taking versus agreed risk limits, using a suite of Key Risk Indicators linked to risk appetite.

The effectiveness of the risk management and internal control framework is independently assessed as part of the programme of activity carried out by the Internal Audit Function in the third line of defence, the results of which are reported to the Audit Committee.

B.3.6 Risk management function

The risk management function is required to:

- Facilitate the implementation of the risk-management system;
- Assist the Board and other functions in the effective operation of the risk management system;
- Monitor and report on the risk management system;
- Monitor the general risk profile of the undertaking as a whole;
- Report to the Board on material risks;
- Advise the Board on risk management matters, including in relation to strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments;
- Identify and assess emerging risks;
- Co-operate closely with the actuarial function; and
- Implement and oversee a suitable ORSA process.

B.3.7 Own Risk and Solvency Assessment (ORSA)

Integration into the organisation structure

The Group calculates its solvency requirement under two bases: the Standard Formula SCR and the Own Risk and Solvency Assessment or ORSA.

The ORSA considers the future development of the organisation's solvency position and risk profile over its business planning period under a central set of assumptions that reflect the Board's best estimate view of the performance of the organisation and relevant changes to its external business environment. The ORSA is designed to provide the Board and key stakeholders of the business with insight into, and a comprehensive understanding of, the risks, capital and solvency implications of achieving the strategic ambitions of Simplyhealth.

The ORSA is an important part of the strategic and decision making process as well as the risk management framework. All strategic and material operational decisions, such as mergers and acquisitions or new product offerings, are incorporated into the ORSA before binding decisions are made to ensure that the effect on capital requirements is within appetite. This enables Simplyhealth to allocate a capital requirement to each of these decisions.

The ORSA is implemented as an ongoing process which involves regular analysis, discussion and decision-making points throughout the year, and is considered as a standing item in the agenda for all Board meetings. A new ORSA would be prepared in the event of a major strategic change which was not modelled as part of the existing business plan; the impact of Standard Formula Appropriateness would also be considered.

Simplyhealth determines its own solvency needs over the business planning period by reference to the projected own funds, future capital requirements as determined by the SCR and ORSA, a capital buffer in accordance with its risk appetite, the Group's strategic ambitions and the availability of management actions.

Review and Approval

While the Risk function coordinates the underlying ORSA processes and compiles the resulting report, the Board has ultimate responsibility and accountability for risk in the organisation. It plays an active part in the development of the ORSA, which includes initial steering as to how the ORSA approach is designed, and regular challenge on risk identification, management and mitigation.

The underlying processes that constitute the ORSA are performed throughout the year as part of the day to day management of the business and in accordance with the risk management framework. A full report detailing the outcomes of those processes is produced for review and approval by the Board on an annual basis.

The Board provides final approval of the ORSA outcomes and report and specifically confirms it has:

- An understanding of the risks to the business;
- An understanding of the underlying assumptions in the SCR calculation and ORSA; and
- An understanding of the impact of movements in the underlying assumptions.

B.4 Internal control system

B.4.1 Internal control system

Simplyhealth's internal control system is designed to provide reasonable assurance of:

- Compliance with laws and regulations, and internal policies and procedures;
- The effectiveness and efficiency of operations; and
- Accuracy and reliability of financial and non-financial information.

The system is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. This oversight involves the participation of the Board, the Executive Leadership Team, the Audit Committee, the Risk & Capital Committee, Group Risk, Assurance, Legal, Internal Audit, the Chief Actuary, and senior management. The day-to-day responsibility for implementation and maintenance of the internal control system rests with Simplyhealth's various Senior Insurance Manager Functions ("SIMF"), Significant Influence Functions ("SIF"), Controlled Functions ("CF"), Key Function Holders and Business Unit leadership teams.

Simplyhealth promotes the importance of appropriate internal controls by:

- Ensuring all employees are aware of their role in the internal control system;
- Ensuring a consistent implementation of the internal control systems across the Group; and
- Establishing and maintaining monitoring and reporting mechanisms for decision-making processes.

B.4.2 Compliance

The Assurance function is responsible for the identification and assessment of compliance risk. It advises the Board on compliance with relevant legal and regulatory requirements and assesses the possible impact of any future changes that may affect the Group or its subsidiaries.

In addition, Simplyhealth has a separate compliance team that is responsible for assessing and monitoring the adequacy of first line of defence arrangements in Simplyhealth Access and its appointed representatives for meeting its regulatory requirements and the direct management of compliance risk. As part of the Three Lines of Defence operating model there is a continuous and collaborative working relationship between the Assurance function and first line compliance team that facilitates effective oversight and challenge.

B.5 Internal audit function

B.5.1 Internal Audit

The Internal Audit function provides independent, objective assurance to the Board, the Audit Committee, and all levels of management on the internal control environment at Simplyhealth. The Internal Audit Charter provides the framework for achieving this, by setting out the objectives, scope, responsibilities, authority, independence and accountability for the Internal Audit function. The Audit Committee reviews the Internal Audit Charter on at least an annual basis to ensure its continued relevance.

Internal Audit's mission is to assist the Board in protecting the assets, reputation and sustainability of the organisation by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the organisation's risk management, control and governance processes.

The Head of Internal Audit ("HoIA") is accountable for the production of regular reports to the Audit Committee. These include:

- The development of an annual audit plan of activity based on an understanding of significant risks facing the Group;
- Periodic reports summarising the progress against the annual audit plan, the adequacy of Internal Audit resource and the results of audit activities against defined measures. The audit plan may be adjusted throughout the year to reflect unplanned events and emerging risks;
- Reporting of significant control issues / trends; and
- An annual assessment of the adequacy and effectiveness of the organisation's systems of internal control, based on the audit work performed.

Internal Audit's working practices and outputs comply with The Chartered Institute of Internal Auditors International Professional Practices Framework and the International Standards for the Professional Practice of Internal Auditing.

B.5.2 Independence and objectivity of the Internal Audit function

The Internal Audit function is independent from the activities it reviews and does not implement internal controls, develop or update procedures, or carry out activities that could impair its judgement.

Auditors have no operational responsibility or authority over any of the activities they assess. Auditors recruited internally do not review activities or functions in which they have been involved in the preceding 12 months. The work performed by the audit team is also monitored for potential threats to its independence and objectivity, and is subject to regular internal quality assurance reviews, and periodic external assessment.

The HoIA formally reports to the Chair of the Audit Committee and there are open communication lines between the HoIA and Non-Executive Directors. The HoIA has private meetings with the Chair of the Audit Committee and Non-Executive Directors in advance of Audit Committee meetings without the presence of Executive Directors. There is an administrative link to the Director of Assurance ("DoA") but, to avoid any conflicts of interest, the DoA has no day-to-day involvement in the activities of the team.

Reporting to the HoIA, the Internal Audit team is made up of professionally qualified auditors with a range of experience of different organisations and processes. This mixture of skills and experience aims to ensure that the team deliver high quality professional audit and consultancy services. Where specific skills are not available in-house, the HoIA and Audit Committee are able to outsource or co-source audit activities to expert external partners.

B.6 Actuarial function

The Group has appointed an external actuarial firm, Milliman LLP, to perform the Actuarial Function activities and selected a named professional within that firm to perform the role of Chief Actuary. The Chief Actuary has met the requirements of an Approved Person and holds an appropriate practising certificate from the Institute and Faculty of Actuaries in the UK. The Chief Actuary reports to the Chief Financial Officer whilst the ultimate responsibility of the role is to the Board.

The contract between Simplyhealth and the service provider is reviewed annually following the delivery of the Actuarial Function Holder Report to the Board. The Chief Financial Officer is responsible for overseeing the performance of the service provider and for ensuring the quality of the service, and reports on the service levels and performance of the provider to the Board on a regular basis (at least annually).

The day-to-day tasks overseen by the Actuarial Function are performed by the Pricing and Underwriting team and Finance, Treasury and Investment team within the Simplyhealth Finance function. The Group separates the 'production' activities from the 'review' process allowing the Chief Actuary to remain independent of the activities performed.

B.7 Outsourcing

Outsourcing refers to an arrangement of any form where a service provider is appointed to provide a function, process, service or activity which would otherwise be undertaken by Simplyhealth itself. The Group outsources some of its operational functions and activities in order to benefit from external expertise and economies of scale.

Simplyhealth's outsourcing policy is applied consistently across the Group. The policy provides guidance on how an outsourcing arrangement should be enacted, monitored and ultimately concluded. It also sets out the criteria for identifying critical or important outsourcing arrangements and the individuals responsible for ensuring the outsourcing provider is capable of performing the activity to the highest standards through effective due diligence.

All material outsourcing arrangements are approved by the Board and are formally reviewed on an annual basis.

The following critical or important operational functions have been outsourced:

Activity	Jurisdiction
Solvency II Actuarial Services	UK
Management of investment assets under a delegated authority	UK
Cloud based software and storage	UK
Customer product renewal - print and mailing	UK
Policy inception, administration and claims handling of insurance products underwritten by Simplyhealth Access	UK
Back office claims handling service provider	India
Fee rate mailing to Dental customers	UK

B.8 Any other information

The Board has assessed the Group's corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations within Simplyhealth.

C. Risk Profile

C.1 Underwriting risk

C.1.1 Material risks

Underwriting risk refers to the risk of loss arising from inadequacies in pricing and underwriting of insurance policies and of claims experience being materially different from expectations. The majority of underwriting risk to which the Group is exposed is of a short-term nature and generally does not significantly exceed 12 months.

The principal line of risk underwritten by the Group is healthcare insurance in which the Group has substantial experience. Where the Group wishes to enter new lines this is done using a controlled approach in order to manage the risk associated with new areas of business.

Each class of contract has a large population of homogeneous policyholders that are based throughout the UK. No one client represents more than 10% of total turnover and, therefore, no insurance contracts are deemed subject to concentration risk.

During the year, the Group continued migrating health plan policyholders on monthly continuous contracts onto annually renewable contracts, in order to create a conventional policy renewal experience in line with market norms.

C.1.2 Measures used to assess the risk

The following measures are used to assess underwriting risk:

Business performance report

- The Group's business plan projects income and claims over a three-year time horizon. This information is used to track actual performance against expected levels, enabling corrective action to be put in place where necessary.
- All factors contributing to variances within income and claims are analysed on a monthly basis. This includes new business and lapse volumes, portfolio mix, average claims costs and claim frequencies. The resultant impact on loss ratios is reviewed to understand performance and assess results in the context of risk appetite.
- A business performance report is produced monthly which is communicated across management levels, up to and including the Board.

Reserving process

- The Group performs an 'expected versus actual' analysis on its technical provisions on a regular basis.
- This analysis is reviewed within monthly management meetings and regular reserving committees so that future calculations can be informed by and calibrated using historical estimates alongside forward looking assumptions. The review process includes the Chief Financial Officer, the Director of Finance & Underwriting, the Group Financial Controller, and the Chief Actuary.
- Deviations from planned performance are tracked to ensure that actual performance is managed within risk appetite.

Capital measurements

- Regulatory capital is measured on a quarterly basis using the Standard Formula SCR. The risk modules considered are lapse risk, premium and reserve risk and health catastrophe risk.
- Health underwriting risk is also assessed within the ORSA.

C.1.3 Risk mitigation techniques

Underwriting risk is mitigated in the following ways:

- Continuing underwriting risk is managed through regular underwriting reviews. These reviews ensure that benefits and prices are managed in a way that delivers competitive products, providing tangible benefits to our customers, while delivering a sustainable operating model which supports the Group's purpose.
- Pricing is generally based on historical claims frequencies and claims severity averages, adjusted for inflation, trended forward to recognise anticipated changes in claims patterns, conditions in the insurance market and a profit loading that adequately covers the cost of capital.
- The Group aims to acquire the correct mix of insurance business, at a price that provides value for our customers and supports a sustainable commercial position, while at the same time protecting itself from excessive insurance claims.
- Underwriting limits are in place to enforce appropriate risk selection criteria and pricing.
- Large corporate clients may be subject to contractual clauses which limit excessive claims loss ratios.

The Customer Governance Committee also plays an important role in mitigating potential underwriting risk as part of the duties delegated to it by the Executive Leadership Team.

The Customer Governance Committee meets on a bi-monthly basis and its responsibilities include:

- Ensuring an effective internal product governance framework which supports the achievement of compliance with relevant legislation and regulations, and provides support for maintaining high standards of conduct and ensuring fair and positive customer outcomes throughout the product lifecycle.
- Monitoring and reviewing the existing product portfolio in line with the Group's risk appetite.
- Overseeing new product propositions and development in line with the Group's risk appetite.
- Receiving reports on product performance issues and/or new business opportunities which may hinder or compromise the financial stability and/or effective operation of the business.
- Reviewing and monitoring the performance of key customer metrics.

The Group monitors the effectiveness of these techniques through the regular reporting of underwriting performance results.

C.1.4 Prudent person principle

Not applicable to underwriting risk.

C.1.5 Risk sensitivities

The Directors have assessed that a deterioration of 5% is the highest reasonably possible change in the loss ratio. A deterioration of 5% in the loss ratio of the insurance book during the year would have resulted in a reduction in profit before tax of £11.4m and a reduction in equity of £9.2m. The latter represents 4.2% of the Group's solvency capital and 4.7% of Simplyhealth Access's solvency capital.

C.2 Market risk

C.2.1 Material risks

Market risk is the risk of loss or of adverse change resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The Group has potential exposures to the following types of market risk:

- Currency risk: Arises from the investment portfolio, with some investments denominated in currencies other than sterling.
- Equity price risk: Arises from direct financial investments in equity securities and through other investment products with values linked to equity price movements.
- Interest rate risk: Arises primarily from valuation movements on financial investments that are measured at fair value and have fixed interest rates.
- Spread risk: Arises from the sensitivity of the value of financial investments to changes in the level of or in the volatility of credit spreads over the risk-free interest rate term structure.
- Concentration risk: Arises as a result of a large investment in individual counterparties and single name exposures.
- Property risk: Arises as a result of sensitivity to the level or in the volatility of property market prices.

The investment portfolio is highly diversified. The largest exposure at 31 December 2018 was to the UK Government with 20.7% of total financial investments being in UK gilts where the market risks are considered to be low.

C.2.2 Measures used to assess the risk

The following measures are used to assess market risk:

Investment monitoring

- Fund valuations are monitored daily.
- Value-at-Risk (VaR) is monitored by fund against expected values weekly.
- Market analysis and volatility reviews are performed with the fund manager on a regular basis.
- Quantitative analysis of stress tests on tail risk scenarios are performed on a monthly basis with the investment manager.
- Movements in the investment portfolio in a rolling twelve month period are monitored on a monthly basis.

Committee and management reviews

- The Risk and Capital Committee oversees all investments, including cash balances, of the Group. The Committee meets quarterly to discuss and provide challenge to the decisions of the investment manager appointed by the Committee.
- The Investment Management Team ("IMT") comprises the Chief Financial Officer, the Group Financial Controller and Treasurer, Chief Risk Officer, representatives from the investment manager and an independent external investment adviser. The IMT meets quarterly to review the performance and positions of the investment portfolio in accordance with the strategy set by the Board.

Capital measurements

- Regulatory capital is measured on a quarterly basis using the Standard Formula SCR. This assessment includes a detailed review of the investment portfolio assessing the nature and capital implications for each individual holding; 'the full look-through approach'.
- Market risk is also assessed within the ORSA.

C.2.3 Risk mitigation techniques

The structure of the investment portfolio is set out in section A.3 (investment performance).

The investment strategy is set by the Board and management follows this strategy in making investment decisions. The investment portfolio is reviewed by the Risk and Capital Committee to ensure that investments are maintained in line with the investment strategy.

The aim of the investment strategy is to generate a consistent and relatively predictable level of return while seeking to protect the capital value of investments. Investment income is used to support the delivery of the business plan. Investment liquidity is managed to ensure funds can be released to enable investment in strategic objectives.

The Board targets a level of security, quality, liquidity, profitability and availability in its investment activities in accordance with its risk appetite:

- Security: Investment vehicles that are subject to significant price volatility or value erosion outside of the defined risk appetite shall not be used.
- Quality: The credit quality of any interest-bearing investment held for capital preservation should be investment grade.
- Liquidity: It must be possible to liquidate all assets within one month of request.
- Profitability: Assets are only added to the portfolio when their expected return is commensurate with the level of risk taken and within risk appetite. Expected returns must be considered together with the capital impact associated with the investment.
- Availability: All investments must be fully admissible from a regulatory capital perspective and not result in off-balance sheet exposures.

Market risk arising from the investment portfolio is actively managed by the investment manager.

C.2.4 Prudent person principle

The Group has appointed an investment manager to manage its investment portfolio. The investment manager has a discretionary mandate to invest assets with a view to achieving the investment objectives set by the Board within pre-agreed risk restrictions. The investment manager is obliged under the agreement with Simplyhealth to act in good faith and with reasonable care and skill, and by having regard to the Prudent Person Principle as instructed by the Group, when investing the Group's assets.

Simplyhealth performs regular reviews of the investment portfolio to ensure:

- Assets held by the Group are compliant with the Solvency II Directive;
- Assets are only invested in instruments which can be suitably modelled and valued;
- Investments are of a suitable quality and are within the pre-agreed restrictions set by the Board;
- Sufficient analysis is provided to allow Simplyhealth to fully understand the nature of all investments, including those within collective investment schemes, on a detailed look-through basis;
- Assets are properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole;
- The Group is not exposed to excessive risk concentrations;
- Derivative instruments are only used insofar that they contribute to a reduction in currency or interest rate risks or facilitate efficient portfolio management; and
- The investment portfolio has sufficient assets to cover derivative positions to ensure that these positions are proportionate in size to the overall portfolio.

C.2.5 Risk sensitivities

The sensitivity of reserves to movements in market risk variables, each considered in isolation, is shown in the following table:

Variable	Change in variable	Potential increase / (decrease) in profit after tax and Solvency II Own Funds (£m)
Interest rate risk	-50 basis points	1.1
	+200 basis points	(4.1)
Equity price risk	+ 10%	1.7
	-10%	(1.7)
Currency risk	+15%	(0.9)
	-15%	0.9
Credit spread risk	-50 basis points	1.1
	+50 basis points	(1.1)

The analysis of market risk sensitivity has been derived by the Group's external investment manager, using standard valuation techniques that are the same as those applied in the previous year. The following assumptions were applied:

- The value of fixed income investments will vary inversely with changes in interest rates;
- Equity prices will move by the same percentage across all territories;
- Currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel; and
- Credit spreads will move by the same percentage across all instruments and counterparties.

C.3 Credit risk

C.3.1 Material risks

Credit risk is the risk that counterparties will cause a financial loss to the Group by failing to discharge a financial obligation. The Group has exposure from the following areas:

- Amounts held with banks and other financial institutions;
- Counterparty defaults on debt securities;
- Amounts due from insurance premium debtors; and
- Amounts due from other group undertakings and guarantees offered to other group entities.

C.3.2 Measures used to assess the risk

The following measures are used to assess and manage credit risk:

Regular monitoring

- Cash balances are regularly reviewed to monitor and limit concentrations of risk.
- Credit ratings assigned to counterparties by international credit rating agencies, capital ratios and other financial information are monitored regularly.
- Credit Default Swap (CDS) rates are monitored weekly and are used as indicators of credit risk.
- Total levels of debt are managed to within approved limits. An allowance for doubtful debts is maintained and regularly monitored as part of the Group's internal financial reporting processes.

Capital measurements

- Regulatory capital is measured on a quarterly basis using the Standard Formula SCR.
- Credit risk is also assessed within the ORSA.

C.3.3 Risk mitigation techniques and the prudent person principle

The credit risk exposure from financial investments and cash deposits is managed by monitoring credit ratings assigned to counterparties by international credit rating agencies. The Group also operates a system of limits for each bank in accordance with its risk appetite. The Group's risk policies limit the maximum exposure with any single counterparty to £45m.

The Investment Management Agreement sets out the parameters under which the Investment Manager can operate including:

- The definition of eligible instruments;
- Asset allocation between the range of eligible instruments;
- The acceptable credit rating of counterparties; and
- Acceptable levels of concentration risk.

Adherence to this policy is monitored by the Risk and Capital Committee and the IMT.

The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well diversified spread of such debtors. Premium and other trade debtors are subject to strict credit control and oversight.

C.4 Liquidity risk

C.4.1 Material risks

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities or insurance contract liabilities when they fall due. The Group is exposed to daily calls on its available cash resources.

The Group's insurance liabilities are of short duration; insurance contracts do not generally exceed 12 months, and the majority of claims are settled within twelve months of being incurred.
There have been no instances during the reporting year where assets have had to be liquidated to meet financial obligations.

C.4.2 Measures used to assess the risk

The following measures are used to assess liquidity risk:

Cash flow projections

- The Group performs cash flow projections over its business planning time period. This information along with forecast performance information is used to assess overall liquidity risk as part of the Group's going concern assessment on an annual basis.
- Liquid resources, commitments, and liabilities are reviewed regularly as part of day to day operations to inform the current and forecast view of liquidity risk.
- The Group also reviews the effect on liquidity in the event of material changes during the year.

Treasury management

- The Group's overall treasury needs are considered over the short and medium term.
- Liquidity risk is measured daily through absolute level targets and monthly through a cash coverage ratio which measures the Group's ability to cover its working capital requirements.

Capital measurements

- Liquidity risk is assessed within the ORSA.

C.4.3 Risk mitigation techniques and the prudent person principle

The Group has robust processes in place to manage liquidity risk and has available cash balances and other readily marketable assets in case of exceptional need. The Group considers the composition of its assets in terms of their nature, duration, and liquidity to be appropriate and sufficient to meet its obligations as they fall due in line with the asset-liability management policy.

C.4.4 Expected profit in future premiums

Expected profits included in future premiums ("EPIFP") is calculated as the difference between:

- The technical provision using best estimate assumptions without a risk margin; and
- The technical provisions without a risk margin under the assumption that no further premiums will be received in the future for any reason other than the insured event having occurred, regardless of any legal or contractual rights of the policyholder to discontinue the policy.

The EPIFP calculation is performed at a homogeneous risk group level. The total value of EPIFP at 31 December 2018 was £18.9m for the Group and £18.1m for Simplyhealth Access.

C.5 Operational risk

C.5.1 Material risks

Operational risk could lead to financial loss, customer detriment, reputational damage and potentially failure to meet regulatory objectives. It arises from inadequacies or failures of processes, people, and systems or from external events.

The material operational risks that the Group is exposed to are as follows:

- Change programme: The pace of change to deliver the Group's strategic ambitions could negatively affect the operational capacity and capability of the business and the resilience of the operational systems and processes.
- Skills and competence: If Simplyhealth fails to maintain a suitably skilled and competent workforce there will be a heightened risk of poor business performance or customer service.
- Regulatory and legislative initiatives and reforms: The Group may need to adjust its business plan or operating model, or expend significant time and resource to meet new regulatory or legislative requirements.
- Information security: The personal information that Simplyhealth holds in relation to its customers may be the target of a cyber-attack.
- Business interruption: The failure or material under-performance of systems would have a detrimental effect on our ability to operate the business and service our customers.
- Financial crime: Insurers generally face the risk of fraudulent claims against policies, plus the risk of internal fraud by employees and agents.
- Outsourcing: The Group uses a number of third parties to perform certain activities on its behalf, and there is therefore a risk that one or more third parties might fail to deliver the agreed service.

There were no material operational risk losses or incidents during the reporting year that require disclosure.

C.5.2 Measures used to assess the risk

The following measures are used to assess operational risk:

Risk logs

- A comprehensive view of operational risk is achieved by considering both top down and bottom up perspectives.
- Operational risks are primarily identified, assessed and managed by Business Units through their risk logs. Risk logs set out the key risks, their causes and consequences, and an assessment of the likelihood of those risks occurring along with an estimate of the potential impacts. A consistent standard methodology, facilitated by the Group Risk function, is implemented across the Group.
- The Board's top risk assessment process gives consideration to operational risk topics which are most significant to the organisation and affect every Business Unit. The Group Risk function facilitates this process, ensuring risks are identified and assessed on a consistent basis across different levels in the organisation.

Capital measurements

- Regulatory capital is measured on a quarterly basis using the Standard Formula SCR.
- Operational risk is also assessed within the ORSA.

C.5.3 Risk mitigation techniques

Simplyhealth seeks to mitigate operational risk by maintaining a robust governance framework with clear roles and responsibilities, supported by policies and procedures that are designed to support staff in performing their day to day tasks while effectively managing the risks inherent in those tasks.

The Group's Enterprise Risk Management Framework serves to identify potential risks and control weaknesses, which drives the continued improvement of systems and processes as well as informing the training and development of staff. As an integral part of the Enterprise Risk Management Framework, the individual risk logs aid Business Unit management teams in understanding their operational risk profile and implementing the necessary actions and monitoring to appropriately manage their risks.

C.5.4 Prudent person principle

Not applicable to operational risk.

C.6 Other material risks

Brexit

The exact terms on which the UK will exit from the European Union ('EU') and continue to trade with the remaining 27 countries are yet to be determined. The Group has limited exposure to markets outside the UK. Whilst there is not a wide reliance on employment of EU nationals in the current make-up of the workforce, it is recognised that the future limitations on talent pools could impact the business and the wider health landscape. The wider economic uncertainty resulting from Brexit and falling consumer confidence could impact adversely on the Group's strategy.

The risks and uncertainties associated with exiting from the EU have been considered by the Directors and, while they continue to monitor the exit negotiations, they do not currently believe there will be a material adverse impact on the Group's results or financial position in the current or following financial year.

Non-insurance profit risk

Non-insurance profit risk refers to the revenue and expense risks associated with the non-insurance activities of the Group.

This risk is addressed by robust corporate governance and risk management frameworks that ensure risks are effectively and coherently identified, assessed, mitigated, managed and monitored across the Group. These frameworks also facilitate the timely and comprehensive reporting of business performance and risk management to the Board that allows them to effectively manage the Group.

C.7 Any Other Information

C.7.1 Stress and scenario testing

The Group carries out stress and scenario testing as part of its risk management system. This analysis is performed to ensure potential adverse scenarios are considered in its risk framework and are adequately mitigated either through controls or timely remedial measures.

The Group's ORSA report sets out the description of the scenarios, the methodologies used and the outcome of the assessment. The stress and scenario tests performed during the reporting period have been approved by the Board and submitted to the PRA.

The following stress and scenario tests were selected:

- An adverse combination of events, including an increase in the rate of IPT, leading to a reduction in the underwriting margin;
- An adverse combination of economic events leading to downturn in the market;
- A disaster recovery event;
- An operational risk event arising from a data protection breach; and
- Claims spikes
- Increased lapses/ loss of key clients.

The stress and scenario tests were performed using up-to-date and relevant data derived from the Group's 2019-21 Business Plan. The quantitative analysis performed has demonstrated that both the Group, and Simplyhealth Access, have sufficient capital to withstand the potential impact of these scenarios.

D. Valuation for Solvency Purposes

The following tables provide a summary of the balance sheet prepared for the financial statements, and the reclassifications and valuation adjustments required to form the Solvency II balance sheet. All valuations are presented in pounds sterling on a going concern basis and are drawn up to 31 December 2018.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ('FRS 102') and FRS 103 "Insurance Contracts" ('FRS 103') and the Companies Act 2006. This is referred to as UK Generally Accepted Accounting Principles ("UK GAAP").

The Solvency II balance sheet has been prepared in accordance with the market-consistent valuation approach set out in Article 75 of Directive 2009/138/EC, which requires that (unless otherwise stated):

- Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable, willing parties in an arm's length transaction.

A description of the bases, methods and main assumptions used for the valuation for solvency purposes, and the material differences to those used in the financial statements, is set out in sections D.1 (assets), D.2 (technical provisions) and D.3 (other liabilities). These apply to both the Group and Simplyhealth Access.

There were no material changes in the recognition and valuation bases used or to the bases used for making estimations during the reporting period.

Simplyhealth Group Limited

Consolidated balance sheet

As at 31 December 2018

		Financial statements (UK GAAP)	Reclassification adjustments	Solvency II valuation adjustments	Solvency II
Assets	**Section**	**£m**	**£m**	**£m**	**£m**
Goodwill	D.1.1	38.9	-	(38.9)	-
Other intangible assets	D.1.2	2.2	-	(2.2)	-
Deferred acquisition costs	D.1.3	0.4	-	(0.4)	-
Deferred tax assets	D.1.4	4.0	-	(3.2)	0.8
Property, plant and equipment held for own use	D.1.5	9.3	-	-	9.3
Investment holdings in related undertakings	D.1.6	2.0	-	(2.0)	-
Bonds	D.1.7	109.8	0.6	-	110.4
Collective investment undertakings	D.1.7	67.4	7.1	-	74.5
Derivative assets	D.1.7	-	0.2	-	0.2
Reinsurers' share of technical provisions	D.1.8	-	-	-	-
Insurance and intermediaries receivables	D.1.9	91.4	(86.7)	-	4.7
Receivables (trade, not insurance)	D.1.10	5.3	-	-	5.3
Cash and cash equivalents	D.1.11	40.7	(6.9)	-	33.8
Any other assets, not elsewhere shown	D.1.12	-	-	-	-
TOTAL ASSETS		**371.4**	**(85.7)**	**(46.7)**	**239.0**
Liabilities	**Section**	**£m**	**£m**	**£m**	**£m**
Technical provisions	D.2	95.6	(81.2)	(18.5)	(4.1)
Deferred tax liabilities	D.1.4	-	-	-	-
Derivative liabilities	D.1.7	1.0	0.1		1.1
Reinsurance payables	D.1.8	-	-	-	-
Payables (trade, not insurance)	D.3.1	29.2	(4.6)	-	24.6
TOTAL LIABILITIES		**125.8**	**(85.7)**	**(18.5)**	**21.6**
Excess of Assets over Liabilities		**245.6**	**-**	**(28.2)**	**217.4**

Simplyhealth Access

Balance sheet

As at 31 December 2018

		Financial statements (UK GAAP)	Reclassification adjustments	Solvency II valuation adjustments	Solvency II
Assets	**Section**	**£m**	**£m**	**£m**	**£m**
Other intangible assets	D.1.2	1.3	-	(1.3)	-
Deferred acquisition costs	D.1.3	2.9	-	(2.9)	-
Deferred tax assets	D.1.4	3.0	-	(2.7)	0.3
Property, plant and equipment held for own use	D.1.5	8.4	-	-	8.4
Investment holdings in related undertakings	D.1.6	1.1	-	(0.1)	1.0
Bonds	D.1.7	109.8	0.6	-	110.4
Collective investment undertakings	D.1.7	67.4	7.1	-	74.5
Derivative assets	D.1.7	-	0.2	-	0.2
Reinsurers' share of technical provisions	D.1.8	-	-	-	-
Insurance and intermediaries receivables	D.1.9	88.8	(87.0)	-	1.8
Receivables (trade, not insurance)	D.1.10	2.3	(0.4)	-	1.9
Cash and cash equivalents	D.1.11	10.5	(7.0)	-	3.5
Any other assets, not elsewhere shown	D.1.12	-	-	-	-
TOTAL ASSETS		**295.5**	**(86.5)**	**(7.0)**	**202.0**
Liabilities	**Section**	**£m**	**£m**	**£m**	**£m**
Technical provisions	D.2	95.6	(81.2)	(17.9)	(3.5)
Deferred tax liabilities	D.1.4	-	-	-	-
Derivative liabilities	D.1.7	1.0	0.1	-	1.1
Reinsurance payables	D.1.8	-	-	-	-
Payables (trade, not insurance)	D.3.1	13.5	(5.4)	-	8.3
TOTAL LIABILITIES		**110.1**	**(86.5)**	**(17.9)**	**5.9**
Excess of Assets over Liabilities		**185.4**	**-**	**10.8**	**196.1**

D.1 Assets

D.1.1 Goodwill

Under UK GAAP, goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its expected useful economic life.

Under Solvency II, goodwill is given no economic value as it is not an identifiable and separable asset in the marketplace.

D.1.2 Other intangible assets

Intangible assets include items such as brands, customer relationships and computer software.

Under UK GAAP, intangible assets are amortised on a straight-line basis over their estimated useful economic lives and are assessed annually for impairment.

Under Solvency II, intangible assets are given no economic value if they cannot be traded in an active market.

D.1.3 Deferred acquisition costs

Costs relating to the acquisition of new insurance contracts that were deferred to the extent that they are expected to be recovered out of future margins are not allowable as an asset under the Solvency II regime. The economic value ascribed for solvency purposes is nil.

D.1.4 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date.

Under UK GAAP, timing differences are differences between an entity's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. When the amount that can be deducted for tax for an asset (other than goodwill) or liability that is recognised in a business combination is different from the value at which it is recognised, a deferred tax asset or liability is recognised for the additional tax that will arise in respect of that difference. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

For solvency purposes, timing differences are differences between the economic value of assets and liabilities on the Solvency II balance sheet and their tax base. The deferred tax valuation adjustment shown in the Solvency II balance sheet is primarily attributable to the recognition of expected future taxable profits in the technical provisions arising from temporary timing differences.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are not discounted.

D.1.5 Property, plant and equipment

Individual freehold properties are revalued to fair value every year at the accounting year-end under the revaluation model. Properties are valued by professional external valuers using the Royal Institution of Chartered Surveyors ("RICS") guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific property.

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life. Assets in the course of construction are not depreciated and are reviewed annually for indicators of impairment. Tangible fixed assets have not been re-measured for solvency purposes as its carrying value under UK GAAP is considered to be a proportionate approximation of its fair value.

D.1.6 Investment holdings in related undertakings

In the Simplyhealth Access financial statements, investment in subsidiaries is measured at historical cost less any provision for impairment. Under Solvency II, the economic value of related undertakings is determined using the adjusted equity method. This method requires the net assets of the underlying undertakings to be valued in accordance with Solvency II valuation principles on a 'look-through' basis. Goodwill, intangible assets and deferred acquisition costs within the underlying undertakings are given no value.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures in the Simplyhealth Group financial statements. Under UK GAAP, the Group's share of the results of joint ventures and associates is included in the Group statement of comprehensive income using the equity method of accounting.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures.

The Group's share of the results of joint ventures and associates is included in the Group statement of comprehensive income using the equity method of accounting. Investments in joint ventures are carried in the Group statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value.

This is a primary factor supporting the consolidated accounts of the group as a whole forming the basis of Solvency II calculations in alignment with the Consolidation method 1, under article 335 of the Delegated Acts. All submissions to EIOPA / PRA have been completed on this basis with no comments received upon the basis of calculation.

Solvency II Delegated Acts

Under Article 335 (see appendix A), companies should be consolidated within the "group" where;

- They are insurance companies;
- They are ancillary service companies in supporting the insurance undertaking; and
- They are financial holding companies.

of the parent undertaking.

Quoted prices in an active market are not available for any Group undertaking.

D.1.7 Investments

Debt instruments, derivative assets and liabilities, collective investment schemes and equity shares in the investment portfolio are designated as fair value through profit and loss.

The Company uses derivatives for the purpose of efficient portfolio management and to reduce risk in aspects of the Company's investment activities. The Company uses forward foreign exchange contracts and fixed interest futures for these purposes.

The Company monitors its exposure to risks through regular reviews of its portfolio of assets and liabilities and their underlying characteristics. The Directors have chosen not to apply hedge accounting to the Company's derivatives.

The Company has designated debt instruments, derivative assets and liabilities, collective investment schemes and equity shares in its investment portfolio as fair value through profit and loss. All other financial assets and liabilities are held at amortised cost.Net gains or losses arising from changes in the fair value of the derivative financial instruments are recognised immediately in the statement of comprehensive income within the heading 'Investment Returns'.

The Amendment to FRS 102 in respect of Fair Value Hierarchy Disclosures sets out the measurement bases that can be used to value financial assets and liabilities held at fair value. The different methods of valuation are categorised into a hierarchy as follows:

- Level 1: assets and liabilities for which fair values have been measured using the unadjusted quoted price in an active market for identical assets or liabilities that Simplyhealth can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table analyses the investments held at fair value according to the above hierarchy for Simplyhealth Group:

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Bonds	-	109.8	0.6	110.4
Collective investment undertakings	-	74.5	-	74.5
Derivative liabilities	-	(0.9)	-	(0.9)
Total investment assets	**-**	**183.4**	**0.6**	**184.0**

For solvency purposes, the following reclassification adjustments are made:

- Accrued interest £0.7m is reclassified from 'receivables (trade, not insurance)' to 'bonds'; and
- The short-term money market fund £7.1m is reclassified from 'cash and cash equivalents' to 'collective investment undertakings'.

D.1.8 Reinsurance

All previous reinsurance arrangements have been materially run off and the Company has no remaining material exposure arising under reinsurance arrangements.

D.1.9 Insurance and intermediaries receivables

Simplyhealth accounts for its insurance business on a monthly or annual basis depending on the period of cover provided by the contract.

Under UK GAAP, insurance and intermediaries receivables are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. For solvency purposes, insurance premium receivables that are not yet due for payment £86.6m at the balance sheet date are reclassified as cash inflows within the technical provision. The remaining insurance receivables balance corresponds to the amount due for payment by policyholders. These are expected to be paid within one year.

D.1.10 Receivables (trade, not insurance)

Receivables (trade, not insurance) corresponds to receivables not related to the insurance business. The Solvency II valuation includes the reclassification of accrued interest to 'bonds'.

D.1.11 Cash and cash equivalents

Cash and cash equivalents in the financial statements consist of cash balances and deposits held at call with banks with, on average, less than 90 days maturity from date of deposit. This includes funds held on behalf of third parties that are not available for use by Simplyhealth.

Third-party funds held by the consolidated Simplyhealth Group comprise cash held on behalf of customers to administer claims under service contracts and are maintained in separate bank accounts. Following generally accepted industry practice, these amounts are disclosed separately within cash, with a corresponding creditor disclosed in 'payables (trade, not insurance)'. The inclusion of these funds on the balance sheet therefore has no impact on the net assets of the Group.

Under Solvency II, cash and cash equivalents are valued at the amount payable on demand. Short-term money market funds have been reclassified as 'collective investment undertakings' in accordance with the Solvency II definition of this asset.

D.2 Technical provisions

		SHG		SHA
Health (similar to non-life): Medical Expenses	**At 31 December 2018 £m**	**At 31 December 2017 £m**	**At 31 December 2018 £m**	**At 31 December 2017 £m**
Provision for unearned premiums	79.1	59.1	79.1	59.1
Provision for claims outstanding	16.5	16.4	16.5	16.4
Financial Statements (UK GAAP)	**95.6**	**75.5**	**95.6**	**75.5**
Insurance premium receivables not yet overdue	(86.4)	(65.4)	(86.4)	(65.4)
Claims management charge accrual	-	0.5	-	-
Derivative reclassification	(0.2)	-	(0.2)	-
Insurance premium tax payable	5.4	10.1	5.4	10.1
Reclassification adjustments	(81.2)	(54.8)	(81.2)	(55.3)
Unearned premium economic adjustments	(29.9)	(28.8)	(29.9)	(28.8)
Provision for adverse development of claims	(0.8)	(0.8)	(0.8)	(0.8)
Events Not In Data (ENID) adjustments	1.3	1.3	1.3	1.3
Expense adjustments	9.0	7.9	9.6	9.9
Discounting adjustments	0.0	0.0	0.0	0.0
Risk margin	1.9	1.9	1.9	1.9
Solvency II valuation adjustments	(18.5)	(18.5)	(17.9)	(16.5)
Best estimate liability	(5.9)	0.3	(5.3)	1.8
Risk margin	1.9	1.9	1.9	1.9
Solvency II	**(4.1)**	**2.2**	**(3.5)**	**3.7**

Under Solvency II, technical provisions are valued in accordance with Article 77 of the Solvency II Directive 2009/138/EC. The Directive requires technical provisions to represent the current amount an insurer would have to pay for an immediate transfer of its obligations to another insurer calculated on a discounted cashflow basis.

Solvency II technical provisions are comprised of a best estimate liability and a risk margin. The best estimate liability is comprised of a claims provision and a premium provision.

The bases, methods and main assumptions used for the valuation of technical provisions are as follows:

Calculation basis

- Simplyhealth uses a going concern basis of calculation.
- Simplyhealth's insurance exposure is to a single line of business, 'Medical Expenses'.
- Technical provisions are estimated using a deterministic approach, in which outcomes are precisely determined through known relationships and best estimate assumptions using a mathematical model.

Segmentation

- Simplyhealth segments its insurance and reinsurance obligations into homogeneous risk groups and performs all key best estimate calculations at this level.

Data

- The data used in the calculation of technical provisions are considered to be complete, accurate and appropriate as defined in Article 19 of the Delegated Regulation 2015/35.

Best estimate

- The calculation of the best estimates is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods.
- The technical provision has been assessed on a best estimate basis, and is intended to represent the expected value over a reasonable range of estimates. As such, these estimates do not contain margins for prudence. An allowance is made for low-probability high-severity events beyond the range of reasonable foreseeable; this is referred to as Events not in Data ("ENID").
- The claims provision best estimate and premium provision best estimate are calculated separately as required for non-life insurance undertakings.

Cash flow basis

- Technical provisions are calculated and projected on a cash flow basis, incorporating all expected cash inflows and outflows required to settle insurance obligations over their full lifetime.
- All cash flows are subject to discounting using the basic risk free rates published by EIOPA (without the matching adjustment and volatility adjustment). It is calculated on the assumption that cash flows occur midway through each year.

Expenses

- Expenses include all amounts that will be incurred servicing the obligations of the insurance contracts. This includes, but is not limited to, administrative expenses, investment management expenses, claims management expenses, insurance premium tax, and acquisition costs not yet incurred. The allocation of overheads is performed on a going concern basis, and as such, assumes contracts will run to their expected term and a proportion of expected future costs will be covered by future business.
- The expenses calculation is based upon the amount that another insurer is likely to incur if they were taking over the management of the business at the valuation date. This does not include costs associated with the transfer of business between insurers.

Level of uncertainty associated with the value of technical provisions

- Actuarial best estimates are subject to a degree of uncertainty due to the inherent limitation of one's ability to predict the aggregate course of future events. Sources of uncertainty include the frequency and severity of claims payments, claims settlement patterns, lapse rates and economic developments such as claims inflation which may lead to actual experience differing from that implied by these assumptions.
- There is a low level of uncertainty associated with the technical provision as Simplyhealth's insurance business is relatively short-tailed and exhibits a stable claims settlement pattern.

There have been no material changes to the business.

D.2.1 Claims provision best estimate

The Solvency II claims provision replaces the UK GAAP provision for outstanding claims.

The claims provision is equivalent to the discounted best estimate of all future cash flows relating to claim events arising prior to the valuation date.

The underlying claims best estimate is represented by a provision for claims incurred but not yet paid. This provision is determined using traditional actuarial techniques for health businesses including the Chain Ladder Method, and, for more recent incurred periods, blending this with a trended expected cost per member per month, (the Projection Method), adjusted for monthly seasonality. The main assumptions in the estimation of this liability relate to the expected frequency, severity and settlement patterns of claims; these are expected to be consistent with recently observed experiences and trends but may undergo adjustment, with the use of expert judgement, where appropriate. The basis and calculation of the estimate is reviewed annually against claims experience.

The material differences between the Solvency II and UK GAAP valuations are as follows:

- The UK GAAP valuation includes a provision for adverse development of claims costs. This is replaced in the Solvency II valuation by an ENID allowance £1.3m.
- The UK GAAP valuation includes a provision for claims handling costs. This is replaced in the Solvency II valuation by an estimate of all future expenses that would be incurred servicing these obligations.
- The Solvency II valuation is discounted.

D.2.2 Premium provision best estimate

The Solvency II premium provision replaces the UK GAAP provision for unearned premium.

The provision for unearned premium represents the proportion of premiums written that relate to periods of risk in future accounting periods. It is calculated separately for each insurance contract and on a pro rata basis.

This premium provision, however, is equivalent to the discounted best estimate of all future cash flows relating to claims occurring after the valuation date and covering the unexpired exposure of existing contracts and committed but not incepted contracts. Negative premium provisions arise when the present value of future cash inflows exceed the present value of future cash outflows. Simplyhealth has negative premium provisions because its insurance premiums are primarily settled on a monthly basis and not at the inception or renewal of the policy.

The premium provision best estimate calculation consists of the following steps:

- Premiums connected to all future insurance obligations are projected until the contract boundary. This includes an adjustment for lapses and mid-term cancellations which are projected in line with business expectations.
- The underlying claims best estimate arising from these obligations is projected in line with historical claims experience and current expectations.
- An allowance is made for ENID.
- An estimate is made of all future expenses that would be incurred servicing these obligations.
- Insurance premium receivables connected to the future premiums which are not overdue are included as a cash inflow.
- The cash flows are then discounted.

D.2.3 Risk Margin

The risk margin is the amount that another insurer taking on the liabilities at the valuation date would require over and above the best estimates. There is no equivalent provision under UK GAAP.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the obligations over their lifetime at a prescribed cost of capital rate of 6% per annum.

Future SCR's have been determined using the default method 1 risk margin calculation prescribed by EIOPA. This method involves an approximation of individual (sub)-risks within some or all (sub)-modules within the calculation of future SCR's. In the prior reporting period, the method 2 simplification as described in guidelines 61 and 62 within EIOPA's 'Guidelines on the valuation of technical provisions' was used to calculate future SCR's.

The SCR takes the following risks into account: underwriting risk with respect to the transferred business, counterparty default risk with respect to the reinsurer, and operational risk.

D.3 Other liabilities

D.3.1 Payables (trade, not insurance)

Payables (trade, not insurance) corresponds to payables not related to the insurance business. It is principally comprised of accruals, trade and sundry creditors, corporation tax and insurance premium tax. It also includes third party funds as described in section D.1.11 (cash and cash equivalents). Information on leasing arrangements is provided in section A.4 (performance of other activities).

For solvency purposes, insurance premium tax payable of £5.4m is reclassified as cash outflows within the technical provisions.

D.4 Alternative methods for valuation

The Group uses an alternative valuation method to value the £0.6m bond included in level 3 of the fair value hierarchy within section D.1.7 (investments). The valuation technique is based on a discounted cash flow model with inputs that are derived from the yield and duration of the bond rather than observable market data.

D.5 Any other information

There is no further material information regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own funds

E.1.1 Management of own funds

The Group manages its capital on both economic and regulatory bases to ensure it has sufficient funds to meet its business objectives, the promises made to policyholders and regulatory requirements.

The Capital Management Policy seeks to optimise the balance between risk and return while maintaining economic and regulatory capital within the Group's risk appetite. This policy guides the definition, measurement, reporting and projection of capital, assessing the current and potential sources and uses of capital.

The Chief Financial Officer owns the Capital Management Policy on behalf of the Board of Directors. The Board owns and agrees the definition of the Group's risk appetite. Governance over the implementation and operation of capital management is provided by the Risk and Capital Committee, a sub-committee of the Board.

The Group maintains a solvency capital position which is the higher of the SCR and the ORSA estimate of the capital requirement. In addition, a capital buffer is held to provide a margin of safety against an unforeseen event(s) which could result in a breach of the SCR. This approach increases the confidence that the Group will operate at a capital level that is in line with the Group's risk appetite.

Capital above this buffer comprises resources which may be allocated to continued investment in the development of the Group's operations, subject to its risk appetite and targeted rates of return on capital. The Group sets a target rate of return for investment proposals to qualify for funding. Certain projects will also be undertaken to support risk management, improvement in processes and/or compliance with regulatory requirements.

The Group calculates and assesses its regulatory capital position, including the Solvency II SCR Coverage Ratio, on a quarterly basis. The Group's business plan is developed on an annual basis covering a three-year time horizon. The plan includes the projection of SCR and own funds estimates over the same period. A ten-year plan is also developed on a periodic basis which is used as a reference point to assess the performance trajectory of the Group against its long-term strategic goals. The development of significant business ventures is supported by detailed economic and financial business plan models.

There were no material changes in the capital management objective, policies or procedures during the reporting period.

E.1.2 Components of own funds

The Group's Capital Management policy sets out the following minimum thresholds in order to maintain the loss absorbing capacity of own funds:

- A minimum 50% of the SCR must be covered by Tier 1 own funds.
- Restricted Tier 1 own funds will constitute less than 20% of the Total Tier 1 own funds used to cover the SCR and Minimum Capital Requirement ("MCR").
- A maximum of 15% of the SCR will have a Tier 3 capital classification.

Simplyhealth maintains an appropriate level of capital within each tier to remain compliant with the thresholds allowable under Solvency II.

		SHG		SHA	
		At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
Capital tier	**Details**	**£m**	**£m**	**£m**	**£m**
Unrestricted tier 1	Share capital and reserves	216.6	215.0	195.8	204.3
Tier 3	Deferred tax	0.8	-	0.3	-
Eligible basic own funds to cover the MCR		**217.4**	**215.0**	**196.1**	**204.3**
Eligible own funds to cover the SCR		**217.4**	**215.0**	**196.1**	**204.3**

Own funds, within each undertaking in the Group, are principally comprised of retained reserves. Retained reserves is classified as unrestricted Tier 1 capital as it is available, or can be called upon demand, to fully absorb losses on a going-concern basis, as well as in the case of winding-up (permanent availability). The Group's own funds have been calculated net of any intra-group transactions using the default accounting consolidation-based method (method 1). Please refer to Quantitative Reporting Template ("QRT") S.32.01.22 for the specific treatment applied to each undertaking.

The increase in unrestricted Tier 1 capital during the year results primarily from an increase in Solvency II future profits arising from a higher proportion of premiums written on an annually renewable basis.

During the year, Simplyhealth Access received £0.1m in dividends from Simplyhealth Business Services.

Simplyhealth's own funds are not subject to transitional arrangements, nor does it have any ancillary own funds (committed but unpaid lines of capital).

Simplyhealth Group Limited is subject to a £5,000 deduction on its own funds arising from a local capital requirement to conduct other regulated activities within the Simplyhealth Funding Services Limited undertaking. There are no other restrictions affecting the availability, transferability or fungibility of own funds in any undertaking across the Group.

E.1.3 Reconciliation of UK GAAP equity to Solvency II eligible own funds

	SHG		SHA	
	At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
	£m	**£m**	**£m**	**£m**
UK GAAP equity per audited financial statements	245.6	270.1	185.4	194.6
Inadmissible asset: Goodwill and intangible assets	(41.1)	(68.4)	(1.3)	(1.8)
Inadmissible asset: Deferred acquisition costs	(0.4)	(0.3)	(2.9)	(2.6)
Adjust technical provisions to Solvency II basis	18.5	18.5	17.9	16.5
Deferred tax valuation adjustments	(3.2)	(3.2)	(2.7)	(2.5)
Other valuation adjustments	(2.0)	(1.7)	(0.3)	0.1
Solvency II eligible own funds	**217.4**	**215.0**	**196.1**	**204.3**

The movement between UK GAAP equity and Solvency II eligible own funds results from solvency valuation differences. The key components of the movement are explained in section D (valuation for solvency purposes). Other valuation adjustments relate to investments in joint ventures which are treated as inadmissible assets under Solvency II rules.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Simplyhealth has used the Standard Formula, as defined in the Delegated Regulation, to calculate the SCR and MCR without undertaking-specific parameters or simplifications.

The Group SCR is calculated using the accounting consolidation-based method (method 1). There are no material diversification effects at Group level as Simplyhealth Access is the only insurance undertaking within the Group and it dominates the consolidated result.

A breakdown of the Basic SCR by risk module is given below. The final amount of the SCR is subject to supervisory assessment.

		SHG		SHA
	At 31 December 2018	**At 31 December 2017**	**At 31 December 2018**	**At 31 December 2017**
Risk modules	**£m**	**£m**	**£m**	**£m**
Health underwriting risk	37.7	40.0	37.4	39.6
Counterparty default risk	3.0	3.4	2.8	3.1
Market risk	21.7	24.8	21.6	24.9
Diversification credit	(13.4)	(15.0)	(13.2)	(14.9)
Basic SCR requirement	49.0	53.2	48.6	52.7
Operational risk	6.8	7.2	6.8	7.2
Loss-absorbing capacity of deferred tax	0.0	(1.7)	0.0	(1.7)
Solvency Capital Requirement (SCR)	55.8	58.7	55.4	58.2
Minimum Capital Requirement (MCR)	14.0	14.5	13.8	14.5

The decrease in SCR over the reporting period was primarily due to a reduction in underwriting risk arising from the continued run-off of the PMI business sold to AXA PPP on 1 August 2015, together with a reduction in market risk from changes in the Investment portfolio. The Solvency Capital requirement does not include any credit for Loss-absorbing capacity of deferred tax, as the results for the year impact the future recoverability of tax in the event of potential further shocks.

The PRA has made use of the option not to require the entities in its jurisdiction to disclose the capital add-on (if any) during a transitional period ending 31 December 2020.

The MCR is pre-determined within the Solvency II legislation and corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk if insurance undertakings were allowed to continue their operations. The MCR is calibrated to the Value-at-Risk of the basic own funds of an insurance undertaking subject to a confidence level of 85% over a one year period. The MCR for insurance undertakings is based upon a proportion of the best estimate liability and written premiums, and is subject to a minimum value of 25% of the SCR or a maximum value of 45% of the SCR. The inputs used for this calculation are shown in the QRT S.28.01.01. The MCR at group level, also referred to as minimum consolidated Group SCR, is the sum of the MCR's calculated for insurance undertakings within the Group.

Where there is a systematic approach to manage volatility through risk mitigation technique the Solvency capital requirement has been calculated in accordance with Articles 209-215 of the Solvency II Directives.

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

The duration-based equity risk module, as described in Article 304 of the Solvency II Directive 2009/138/EC, is not used to calculate the SCR as Simplyhealth does not write retirement provision business.

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

Simplyhealth does not use an internal model to calculate the SCR.

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

Simplyhealth was compliant with the MCR and SCR throughout the reporting period.

E.6 Any other information

There is no further material information regarding the capital management of the Group or Simplyhealth Access.

Appendix

Statement of Directors' responsibilities

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulation Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Group must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report & Accounts, confirms that, to the best of their knowledge:

- Throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and
- It is reasonable to believe that, at the date of the publication of the SFCR, the Group and its solo insurance undertakings continue so to comply, and will continue so to comply in future.

By Order of the Board

Romana Abdin, Chief Executive Officer

17 April 2019

Report of the external independent auditor to the Directors of Simplyhealth Group Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Solvency and Financial Condition Report

Opinion
Except as stated below, we have audited the following documents prepared by Simplyhealth Group Limited as at 31 December 2018:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Single Solvency and Financial Condition Report of Simplyhealth Group Limited as at 31 December 2018, (**'the Narrative Disclosures subject to audit'**);
- The company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21 and S28.01.01 for Simplyhealth Access (**'the company Templates subject to audit'**); and
- The Group templates S02.01.02, S23.01.22, S.25.01.22 and S32.01.22 for Simplyhealth Group Limited (**'the Group Templates subject to audit'**).

The Narrative Disclosures subject to audit, the company Templates subject to audit and the Group Templates subject to audit are collectively referred to as the **'relevant elements of the Single Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and Performance', 'System of Governance' and 'Risk Profile' elements of the Single Solvency and Financial Condition Report;
- The company templates S05.01.02, S05.02.01, S19.01.21 for Simplyhealth Access;
- The Group templates S05.01.02, S05.02.01 for Simplyhealth Group Limited; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Solvency and Financial Condition Report (**'the Statement of Directors' responsibilities'**).

To the extent the information subject to audit in the relevant elements of the Single Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Single Solvency and Financial Condition Report of Simplyhealth Group Limited as at 31 December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Single Solvency and Financial Condition Report section of our report. We are independent of Simplyhealth Group Limited in accordance with the ethical requirements that are relevant to our audit of the Single Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's and Simplyhealth Access' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Single Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter — Basis of Accounting
We draw attention to the 'Valuation for Solvency Purposes' and the 'Capital Management' sections of the Single Solvency and Financial Condition Report, which describe the basis of accounting. The Single Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information
The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Single Solvency and Financial Condition Report
The Directors are responsible for the preparation of the Single Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Single Solvency and Financial Condition Report
It is our responsibility to form an independent opinion as to whether the relevant elements of the Single Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

This report is made solely to the Company's directors, as a body, in accordance with rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required by the rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors as a body for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.

Report on Other Legal and Regulatory Requirements

Other Information
In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Simplyhealth Group Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
17 April 2019

The maintenance and integrity of the Simplyhealth Group Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Single Solvency and Financial Condition Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix — relevant elements of the Single Solvency and Financial Condition Report that are not subject to audit

Standard formula
The relevant elements of the Single Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.23.01.22
    - Rows R0410 to R0440 — Own funds of other financial sectors

Group Quantitative Reporting Templates

Simplyhealth Group Limited

General information

Participating undertaking name	Simplyhealth Group Limited
Group identification code	213800RMKBQM55BCRM77
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	EN
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

All figures are presented in thousands of pounds with the exception of ratios that are in decimal.

Please note that totals may differ from the component parts due to rounding.

S.02.01.02 - Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	785
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	9,265
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	185,184
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	20
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	20
R0130	*Bonds*	110,412
R0140	*Government Bonds*	33,601
R0150	*Corporate Bonds*	76,811
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	74,552
R0190	*Derivatives*	200
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	13
R0280	*Non-life and health similar to non-life*	13
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	13
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4,709
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	5,273
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	33,785
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	239,014

S.02.01.02 - Balance sheet (continued)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	(4,036)
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	(4,036)
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	(5,969)
R0590	*Risk margin*	1,933
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	1,145
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	7
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	24,511
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	21,627
R1000	**Excess of assets over liabilities**	217,387

S.05.01.02 - Premiums, claims and expenses by line of business

	Non-life	Medical expense insurance	Total
		C0010	C0200
	Premiums written		
R0110	*Gross - Direct Business*	247,207	247,207
R0120	*Gross - Proportional reinsurance accepted*		0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	247,207	247,207
	Premiums earned		
R0210	*Gross - Direct Business*	227,185	227,185
R0220	*Gross - Proportional reinsurance accepted*		0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	227,185	227,185
	Claims incurred		
R0310	*Gross - Direct Business*	150,368	150,368
R0320	*Gross - Proportional reinsurance accepted*		0
R0330	*Gross - Non-proportional reinsurance accepted*		0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	150,368	150,368
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*		0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	61,094	61,094
R1200	**Other expenses**		0
R1300	**Total expenses**		61,094

S.05.02.01 - Premiums, claims and expenses by country

		C0010	C0070
R0010	**Non-life**	Home Country	Total Top 5 and home country
		C0080	C0140
	Premiums written		
R0110	*Gross - Direct Business*	247,207	247,207
R0120	*Gross - Proportional reinsurance accepted*		0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	247,207	247,207
	Premiums earned		
R0210	*Gross - Direct Business*	227,185	227,185
R0220	*Gross - Proportional reinsurance accepted*		0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	227,185	227,185
	Claims incurred		
R0310	*Gross - Direct Business*	150,368	150,368
R0320	*Gross - Proportional reinsurance accepted*		0
R0330	*Gross - Non-proportional reinsurance accepted*		0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	150,368	150,368
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*		0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	61,094	61,094
R1200	**Other expenses**		
R1300	**Total expenses**		61,094

S.23.01.04 - Own Funds

	Basic own funds before deduction for participations in other financial sector	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0		0	0	0
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0		0	0	0
R0130	Reconciliation reserve	216,602	216,602			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	785				785
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0	0	0	0	0
R0200	Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
R0210	*Non-available minority interests at group level*	0	0	0	0	0
R0220	**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				
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	5	5	0	0	0
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0	0	0	0	
R0250	Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
R0260	Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	5	5	0	0	0
R0290	**Total basic own funds after deductions**	217,382	216,597	0	0	785

S.23.01.22 - Own Funds (continued)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0380	Non available ancillary own funds at group level	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund manager, financial institutions	0	0	0	0	
R0420	Institutions for occupational retirement provision	0	0	0	0	0
R0430	Non regulated entities carrying out financial activities	0	0	0	0	
R0440	**Total own funds of other financial sectors**	0	0	0	0	0
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0	0	0	0	0
R0520	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)	217,382	216,597	0	0	785
R0530	Total available own funds to meet the minimum consolidated group SCR	216,597	216,597	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	217,382	216,597	0	0	785
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	216,597	216,597	0	0	
R0610	**Minimum consolidated Group SCR**	13,843				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	1564.62%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	217,387	216,602	0	0	785
R0680	**Group SCR**	55,835				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	389.33%				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	217,387
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	785
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non-available own funds	
R0760	**Reconciliation reserve**	216,602
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	18,938
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	18,938
R0790	**Total Expected profits included in future premiums (EPIFP)**	

S.25.01.04 - Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	21,678		9
R0020	Counterparty default risk	3,046		
R0030	Life underwriting risk	0	9	9
R0040	Health underwriting risk	37,738	9	9
R0050	Non-life underwriting risk	0	9	9
R0060	Diversification	(13,443)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	49,019		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,816
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	55,835
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	55,835
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	13,843
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	55,835

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	213800RMKB QM55BCRM77	LEI	Simplyhealth Group Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority					Dominant		Included in the scope		Method 1: Full consolidation
GB	213800O4EQ IDJORG2I30	LEI	Simplyhealth Access	Non-life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800LVGQ MD8A1DT388	LEI	Care and Mobility (Midlands) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800TMCN NLDANEA835	LEI	Care and Mobility UK Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800IWOR FTLU23G981	LEI	Denplan Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800S5UH OV14N66Z40	LEI	Simplyhealth Partnerships Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	21380079AE QNY2HIYH04	LEI	Leeds Hospital Fund	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800J1IJ GBVSSJXV94	LEI	Simplyhealth Business Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	21380082WL 8PCGRNF629	LEI	Simplyhealth Funding Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	21380098D8 MES2KKVN41	LEI	Simplyhealth Guidance Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800AC4T SSNVI4Q244	LEI	Simplyhealth Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800NYSS IRGDFS9522	LEI	Simplyhealth Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800V8HR R3L4HUR462	LEI	Simplyhealth Nominees Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800GWO6 QO64BWB775	LEI	Simplyhealth People Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800NBJ8 V6KTKKSK83	LEI	Simplyhealth Wellbeing Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138003H5G 7PG2KD5F30	LEI	The Animal Healthcare Company Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138002SRW ZV5PJRVD67	LEI	Totally Active Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

Solo Quantitative Reporting Templates

Simplyhealth Access

General information

Undertaking name	Simplyhealth Access
Undertaking identification code	213800O4EQIDJORG2I30
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	EN
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

S.23.01.01 - Own Funds

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

All figures are presented in thousands of pounds with the exception of ratios that are in decimal.

Please note that totals may differ from the component parts due to rounding.

S.02.01.02 - Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	319
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	8,392
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	186,202
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	1,018
R0100	*Equities*	20
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	20
R0130	*Bonds*	110,412
R0140	*Government Bonds*	33,601
R0150	*Corporate Bonds*	76,811
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	74,552
R0190	*Derivatives*	200
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	13
R0280	*Non-life and health similar to non-life*	13
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	13
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	1,842
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	1,869
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	3,409
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	202,046

S.02.01.02 - Balance sheet (continued)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	(3,440)
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	(3,440)
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	(5,373)
R0590	*Risk margin*	1,933
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	1,145
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	7
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	8,193
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	5,905
R1000	**Excess of assets over liabilities**	196,141

S.05.01.02 - Premiums, claims and expenses by line of business

	Non-life	Medical expense insurance	Total
		C0010	C0200
	Premiums written		
R0110	*Gross - Direct Business*	247,207	247,207
R0120	*Gross - Proportional reinsurance accepted*		0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	247,207	247,207
	Premiums earned		
R0210	*Gross - Direct Business*	227,185	227,185
R0220	*Gross - Proportional reinsurance accepted*		0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	227,185	227,185
	Claims incurred		
R0310	*Gross - Direct Business*	150,368	150,368
R0320	*Gross - Proportional reinsurance accepted*		0
R0330	*Gross - Non-proportional reinsurance accepted*		0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	150,368	150,368
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*		0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	85,886	85,886
R1200	**Other expenses**		0
R1300	**Total expenses**		85,886

S.05.02.01 - Premiums, claims and expenses by country

		C0010	C0070
R0010	**Non-life**	Home Country	Total Top 5 and home country
		C0080	C0140
	Premiums written		
R0110	*Gross - Direct Business*	247,207	247,207
R0120	*Gross - Proportional reinsurance accepted*		0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	247,207	247,207
	Premiums earned		
R0210	*Gross - Direct Business*	227,185	227,185
R0220	*Gross - Proportional reinsurance accepted*		0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	227,185	227,185
	Claims incurred		
R0310	*Gross - Direct Business*	150,368	150,368
R0320	*Gross - Proportional reinsurance accepted*		0
R0330	*Gross - Non-proportional reinsurance accepted*		0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	150,368	150,368
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*		0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	85,886	85,886
R1200	**Other expenses**		
R1300	**Total expenses**		85,886

S.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance Medical expense insurance	Total Non-Life obligation
		C0020	C0180
R0010	**Technical provisions calculated as a whole**	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		0
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross	(21,499)	(21,499)
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0
R0150	**Net Best Estimate of Premium Provisions**	(21,499)	(21,499)
	Claims provisions		
R0160	Gross	16,126	16,126
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	13	13
R0250	**Net Best Estimate of Claims Provisions**	16,113	16,113
R0260	**Total best estimate - gross**	(5,373)	(5,373)
R0270	**Total best estimate - net**	(5,386)	(5,386)
R0280	**Risk margin**	1,933	1,933
	Amount of the transitional on Technical Provisions		
R0290	Technical Provisions calculated as a whole		0
R0300	Best estimate		0
R0310	Risk margin		0
R0320	**Technical provisions - total**	(3,440)	(3,440)
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	13	13
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	(3,453)	(3,453)

S.19.01.21 - Non-Life insurance claims

Total Non-life business

Z0010	**Accident year / underwriting year**	Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											18	18	18
R0160	N-9	0	0	914	94	30	25	23	18	6	4		4	1,114
R0170	N-8	0	27,416	601	97	26	43	34	15	12			12	28,244
R0180	N-7	234,518	25,542	417	80	79	53	25	23				23	260,738
R0190	N-6	286,288	31,945	625	241	100	47	29					29	319,276
R0200	N-5	244,118	32,937	891	232	75	46						46	278,299
R0210	N-4	241,664	29,571	921	217	115							115	272,489
R0220	N-3	245,019	24,255	750	206								206	270,230
R0230	N-2	192,105	15,286	675									675	208,067
R0240	N-1	139,105	13,892										13,892	152,997
R0250	N	135,391											135,391	135,391
R0260												**Total**	150,412	1,926,862

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0
R0170	N-8	0	0	0	0	0	0	0	0	0			0
R0180	N-7	0	0	0	0	0	0	0	0				0
R0190	N-6	0	0	0	0	0	0	0					0
R0200	N-5	0	0	0	30	0	0						0
R0210	N-4	0	0	219	33	0							0
R0220	N-3	0	967	202	39								38
R0230	N-2	17,551	832	217									211
R0240	N-1	16,516	893										879
R0250	N	15,072											14,999
R0260												**Total**	16,126

S.23.01.01 - Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	195,822	195,822			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	319				319
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**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				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	196,141	195,822	0	0	319
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	196,141	195,822	0	0	319
R0510	Total available own funds to meet the MCR	195,822	195,822	0	0	
R0540	Total eligible own funds to meet the SCR	196,141	195,822	0	0	319
R0550	Total eligible own funds to meet the MCR	195,822	195,822	0	0	
R0580	**SCR**	55,374				
R0600	**MCR**	13,843				
R0620	**Ratio of Eligible own funds to SCR**	353.64%				
R0640	**Ratio of Eligible own funds to MCR**	1414.55%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	196,141
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	319
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	195,822
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	18,060
R0790	**Total Expected profits included in future premiums (EPIFP)**	18,060

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	21,555		9
R0020	Counterparty default risk	2,802		
R0030	Life underwriting risk	0	9	9
R0040	Health underwriting risk	37,411	9	9
R0050	Non-life underwriting risk	0	9	9
R0060	Diversification	(13,210)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	48,558		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,816
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	55,374
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	55,374

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	11,619

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		247,207
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	11,619
R0310	SCR	55,374
R0320	MCR cap	24,918
R0330	MCR floor	13,843
R0340	Combined MCR	13,843
R0350	Absolute floor of the MCR	2,222
R0400	**Minimum Capital Requirement**	13,843

Glossary

The Group or SHG	The Simplyhealth Group (Simplyhealth Group Limited together with its consolidated subsidiaries)
The Company	Simplyhealth Group Limited
SHA	Simplyhealth Access
Denplan	Denplan Limited

AFH	Actuarial Function Holder
AXA PPP	AXA PPP healthcare Limited
CF	Controlled Functions
CFIF	Core Fixed Income Fund
CLR	Claims Loss Ratio
CPF	Cash-Plus Fund
Delegated Regulations	Commission Delegated Regulation (EU) 2015/35
DMAF	Dynamic Multi-Asset Fund
DoA	Director of Assurance
EIOPA	European Insurance Occupational Pensions Authority
EPIFP	Expected Profit in Future Premium
EU	European Union
FCA	Financial Conduct Authority
GDPR	General Data Protection Regulation
HoIA	Head of Internal Audit
IIA	Institute of Internal Auditors
IDD	Insurance Distribution Directive
IMT	Investment Management Team
IPT	Insurance Premium Tax
LTIP	Long Term Incentive Plan
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PMI	Private Medical Insurance
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
RICS	Royal Institution of Chartered Surveyors
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SIF	Significant Influence Functions
SIMF	Senior Insurance Manager Functions
SIMR	Senior Insurance Manager Regime
SM&CR	Senior Managers and Certification Regime
STMMF	Short-Term Money Market Fund
TP	Technical Provision
UK	United Kingdom

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