Simplyhealth Group Limited
& Simplyhealth Access

Solvency and Financial Condition Report (SFCR)

31 December 2019

Contents

Executive Summary

About Simplyhealth

Who we are

We're a business that knows what it is, what it stands for and what makes it different

Our purposes is:
Improving access to healthcare

Because we believe:
No one should go without the healthcare support they need

We are:
Making it easy ….
for the many ….
for the long term

Why we exist

We live by our purpose of improving access to healthcare, and making it easy for the many for the long term. This purpose is as relevant today as it was when we were founded in 1872. We are committed to reinvesting our profits back into the community.

We can trace our purpose back to our early days – when our founders set up hospital savings funds to provide workers with simple, quick and easy-to-access healthcare.

With the introduction of the NHS, the hospital savings schemes had to find a new purpose. They transformed into non-profit associations offering low cost insurance against various health complaints.

By the early 1950s key benefits emerged: a cash payment while members were hospitalised, and grants towards glasses and dental care – the basis for today's health cash plans.

In an ever more competitive market place, many former contributory funds started to consolidated and began to play a wider social role in the community. This was the start of what would become Simplyhealth.

At Simplyhealth, we continue to grow the company by increasing the services we offer. Our core cash plan evolve and develop to help people manage the cost of everyday healthcare.

Our products and services

Today our core products and services cover – **Simplyhealth Corporates, Simplyhealth Consumers, Denplan and Animal Healthcare**

Through **Simplyhealth Corporates** we are improving the health and wellbeing of employees and provide a cost effective, easy to manage service – **for nearly 4,800 corporate accounts, with 475,000 corporate employees covered and 888,000 claims paid in 2019**

Through **Simplyhealth Consumers** we provide fast, easy, and affordable healthcare with simple, cost-effective access to expert help and treatments with a focus on prevention rather than cure – **for 500,000 customers with 2 million claims paid in 2019**

Through **Denplan** we provide a range of products for their customers with business support and professional support (including training and events) – **covering 6,700 Denplan dentists and with 1.4 million Denplan patients**

Our products and services (continued)

Through **Animal Healthcare** we help pet owners with prevention, reassurance and cost certainty for their pet's needs and for vets practices we offer attractive products to support greater customer loyalty – **providing products to 1,900 vets practices.**

Today we are the UKs leading provider of health plans, dental plans and pet health plans, supporting nearly four million individuals, families, employees and pets. Our plans help our customers take control of their health and see the right professionals when they need to.

Continuing to invest in our communities

To truly provide access to healthcare for the many, our reach and the delivery of our purpose must extend beyond our customers. Every year we invest a minimum of 10% of our pre-tax profits (before goodwill amortisation and exceptional items) to community projects and charities that focus on helping more people access healthcare and live the best life they can.

In 2019 we continued this good work taking the total invested in health-related causes across the country. Nationally we have focused our support on Teeth Team and our continued sponsorship of the Great Run series and at the end of 2019 our three year partnership with the Great Run Series came to an end. This was a hugely important partnership for us, and one that we are incredibly proud of. For the last three years our work with Great Run has genuinely enabled us to deliver against our purpose. We've supported our colleagues, customers and communities every step of the way, by helping to get millions moving and enabling them to raise significant donations for a whole range of charities.

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 for the year of £10.4m (2018: loss £24.5m).

Simplyhealth Access ("SHA"), a regulated insurer of medical expenses within the Group, reported a loss after tax for the year of £7.1m (2018: loss £9.2m). 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 2019 £m	**At 31 December 2018 £m**	**At 31 December 2019 £m**	**At 31 December 2018 £m**
UK GAAP: Equity per audited financial statements	235.8	245.6	178.9	185.4
Inadmissible asset: Goodwill and intangible assets	(28.2)	(41.1)	(0.8)	(1.3)
Inadmissible asset: Deferred acquisition costs	(0.8)	(0.4)	(2.9)	(2.9)
Adjust technical provisions to Solvency II basis	13.3	18.5	11.7	17.9
Deferred tax valuation adjustments	(2.1)	(3.2)	(1.5)	(2.7)
Investment valuation adjustments	(6.9)	(2.0)	(0.1)	(0.3)
Solvency II: Excess of assets over liabilities	**211.1**	**217.4**	**185.3**	**196.1**

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 2019 £m	**At 31 December 2018 £m**	**At 31 December 2019 £m**	**At 31 December 2018 £m**
Solvency II eligible own funds	211.1	217.4	185.3	196.1
Solvency Capital Requirement (SCR)	47.9	55.8	46.9	55.4
Solvency II SCR Coverage Ratio	**441%**	**389%**	**395%**	**354%**

Looking to the next decade

In March 2020 the world was hit with Coronavirus, a virus that turned everyday life upside down for the UK population in a matter of days. This pandemic has impacted individuals, families and business across the UK, and we reflect deeply on the difficult reality of significant numbers of people losing their lives too soon.

Our beloved NHS is under enormous pressure, more than any time in its existence. Doctors, nurses and healthcare workers are risking their lives to support and save others and we will owe them a huge debt of gratitude for many years to come.

Simplyhealth, like some other organisations, is focused on supporting healthcare workers and the health of the wider population, but to do so effectively in this current period, we have had to adapt and change at pace.

We have transformed our operational model and infrastructure by enabling over 800 of our colleagues to work remotely and, within days of the government's enforcement of social distancing and the "stay at home" directive, we were fully operational. This transformation has ensured we could and will continue to provide support to our customers, while supporting our colleagues through new and flexible ways of working.

We have made balanced business decisions at pace, to ensure our most vulnerable customers are prioritised, that we are able to communicate effectively with them through new digital channels like web-chat, and have policies in place to offer payment support for those customers that need it most, through this period.

We have also ensured our healthcare proposition remains relevant and responsive to the way access to healthcare is changing. Our new digital healthcare services now include access to free health and wellbeing lifestyle content via our new website, and our GP, advice, counselling and online physio services are actively promoted to customers, with these virtual services increasingly delivering positive health outcomes for our customers.

The financial impact is being closely monitored as events unfold. ORSA stress tests have been performed and we will continue to run them as and when new data and evidence becomes available, however we are confident that even under very extreme scenarios we remain solvent.

Irrespective of the economic impacts Simplyhealth will continue to focus on growth and simplification of our business to give more people easier access to healthcare.

Our priorities in 2020 will be to:

- Continue to simplify our business and embed the One Simplyhealth operating model while delivering the exceptional service our customers deserve
- Develop our network of partners to continue offering our customers the very best product to meet their everyday health care needs
- Increase our digital abilities so we can use data to transform our customers' experience and the way we operate.

Going concern

The Directors have considered in detail the Group's forecast performance, as well as its capital and liquidity resources. These forecasts have been stressed tested through our Coronavirus scenario modelling, evaluating the impact on our financial performance and solvency of a "lock down" from 1 to 6 months. We continue to be highly effective in our operations which are now all delivered remotely through employee homes and as a result we have been supported our customers when they have needed us and maintained a mutually valued relationship. As a consequence we have not seen a change in our customer lapses above normal levels. We have launched a new digital product at the lowest price point of all our products to help alleviate any financial challenges, whilst still making access to healthcare possible to new customers and we have given financial support to existing customers and healthcare practitioners in a number of ways. We are being responsive and supportive and we are confident that the majority of our customers will stick with us through this challenging time and beyond into a recession, just as we experienced in 2008-2009.

In 2019 we removed equity risk from the portfolio shifting to corporate bonds and gilts, which, while not immune to risk and falls in value, are performing significantly better than equities. We are able to liquidate our investments at short notice. Our portfolio value at the end of 2019 was £173.2m and at 20 May 2020 was £173.4m.

In all our scenarios tests we remain solvent with significant headroom above our SCR, and on that basis the Directors have confidence that the Group has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the Directors have adopted the going concern basis in preparing this Solvency and Financial Condition Report.

Simplyhealth Group Limited

Consolidated statement of comprehensive income

Year ended 31 December 2019

	2019 Total £m	2018 Total £m
TECHNICAL ACCOUNT		
Total technical income	**212.3**	227.2
Total claims incurred	**(154.3)**	(154.1)
Net operating expenses	**(58.4)**	(57.4)
Balance on the general business technical account	**(0.4)**	15.7
NON-TECHNICAL ACCOUNT		
Investment returns:		
Income from investments	**2.9**	3.4
Gains / (losses) on realisation of investments	**5.9**	(1.3)
Unrealised gains/(losses) on investments	**0.3**	(5.8)
Investment charges and expenses	**(0.8)**	(0.7)
Other income and charges:		
Other income	**30.9**	22.3
Other charges	**(34.5)**	(31.4)
Revaluation loss on buildings	**(0.5)**	-
Reversal of impairment of land and buildings	**0.1**	0.1
Donations	**(0.8)**	(0.9)
Amortisation of goodwill and other intangibles	**(13.0)**	(12.7)
Loss on ordinary activities before exceptional items and tax	**(9.9)**	(11.3)
Exceptional items	**-**	(16.1)
Loss on ordinary activities before tax	**(9.9)**	(27.4)
Tax on loss on ordinary activities	**(0.5)**	2.9
Loss for the financial year	**(10.4)**	(24.5)
Valuation gain taken to revaluation reserve	**0.6**	-
Total comprehensive loss for the financial year	**(9.8)**	(24.5)

Simplyhealth Access

Statement of comprehensive income

Year ended 31 December 2019

	2019 Total £m	2018 Total £m
TECHNICAL ACCOUNT		
Total technical income	**212.3**	227.2
Total claims incurred	**(154.3)**	(154.1)
Net operating expenses	**(74.7)**	(82.1)
Balance on the general business technical account	**(16.7)**	(9.0)
NON-TECHNICAL ACCOUNT		
Investment returns:		
Income from investments	**2.7**	3.1
Gains/(losses) on realisation of investments	**5.9**	(1.3)
Unrealised gains/(losses) on investments	**0.3**	(5.7)
Investment charges and expenses	**(0.8)**	(0.7)
Income from shares in group undertakings	**-**	0.1
Other income and charges:		
Other income	**-**	1.6
Revaluation loss on buildings	**(0.5)**	-
Reversal of impairment of land and buildings	**0.1**	0.1
Loss on ordinary activities before tax	**(9.0)**	(11.8)
Tax on loss on ordinary activities	**1.9**	2.6
Loss for the financial year	**(7.1)**	(9.2)
Valuation gain taken to revaluation reserve	**0.6**	-
Total comprehensive loss for the financial year	**(6.5)**	(9.2)

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.

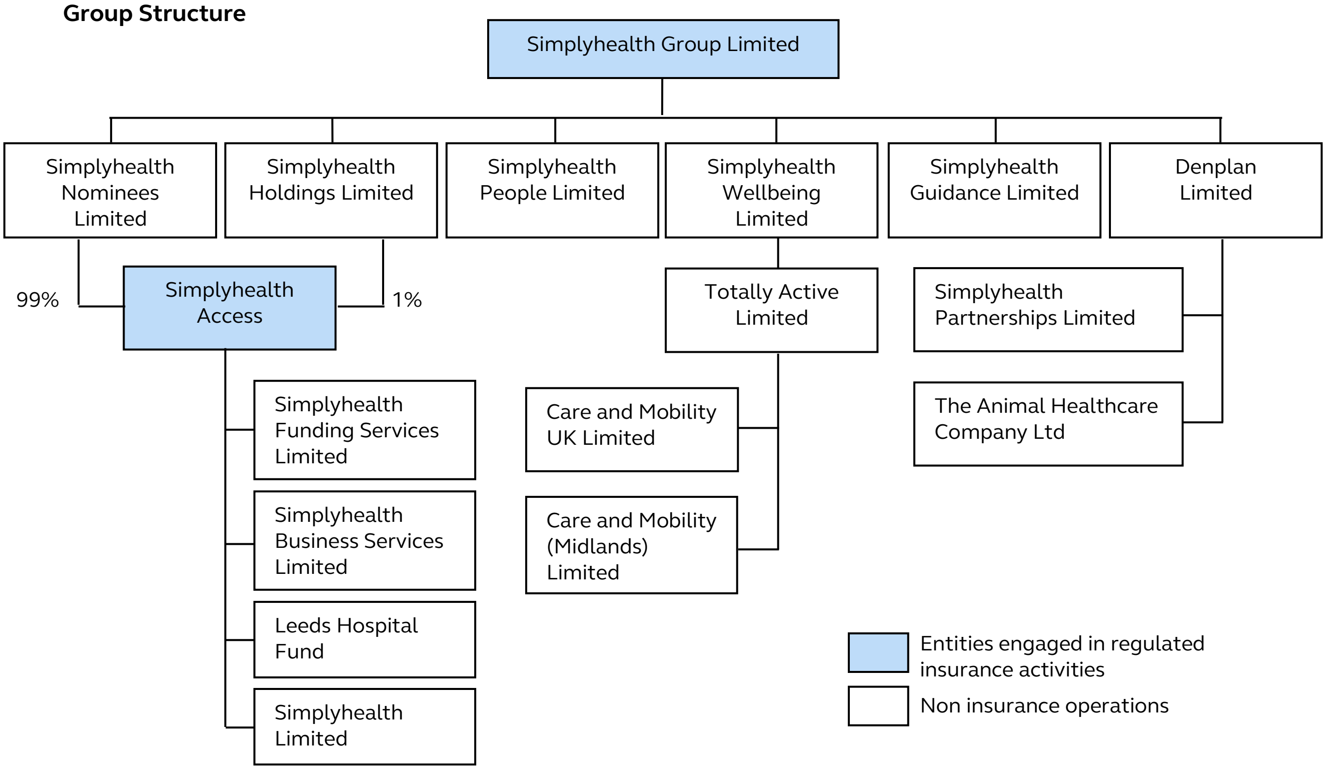
Denplan, through its wholly owned subsidiary Simplyhealth Partnerships Limited, also invests in dental practices by taking 50% interests in joint venture partnerships. The dental partnership programme will see Denplan strengthen its support for, and investment and involvement in our member dentists and 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 non-insurance 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 Ltd	03302348	Provision of administration for veterinary pet health plans
Non-trading entities:		
Care and Mobility (Midlands) Limited	05156683	Dormant
Care and Mobility UK Limited	05207914	Dormant
Leeds Hospital Fund	00064929	Dormant
Totally Active Limited	04932453	Non-trading
Simplyhealth Business Services Limited	09523886	Dormant
Simplyhealth Holdings Limited	05603119	Investment holding company
Simplyhealth Limited	09514902	Dormant
Simplyhealth Nominees Limited	05603124	Investment holding company
Simplyhealth Wellbeing Limited	05432144	Dormant

Employees

The average number of employees during the year across the Group was 1,143 (2018: 1,226) of which 799 (2018: 773) worked in Simplyhealth Access.

A.1.4 Significant events during the reporting period

The following significant events took place during 2019:

- In early 2019 we worked on a new Operating Model design. Later in the year, we carried out our new and simplified model, bringing our business units together and consolidating operations into centres of excellence; Growth, Service and Support. The decision to move to the new model was made in the summer of 2019 with the process starting in September 2019 and concluding at the end of October 2019. This resulted in 149 redundancies, which together with natural attrition during the period September to December, led to a reduction in our headcount of 234, about 20%, generating annualised savings to invest in our strategy.

- We invested in a further six new joint venture dental practices during 2019 bringing our total number of practices to eleven in an increasingly competitive corporate ownership market. The cumulative value of these investments now totals £7.0m.

During 2020 the world is materially impacted by the Coronavirus. Simplyhealth has assessed its impact on the values contained within the financial statements and does not consider there to be any change required to their value and is considered a non-adjusting event.

The effect of Coronavirus on Simplyhealth and this Solvency and Financial Condition Report is discussed further in sections B.3.7 (Principal risks and uncertainties) on pages 30 and 31, C.6 (Other material risks) on page 45 and D.2.2 (Premium provision best estimate) on page 55.

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 £1.6m (2018: £0.8m) 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	
	2019 £m	2018 £m	2019 £m	2018 £m
Total technical income	212.3	227.2	212.3	227.2
Total claims incurred	(154.3)	(154.1)	(154.3)	(154.1)
Gross margin	58.0	73.1	58.0	73.1
Net operating expenses	(58.4)	(57.4)	(74.7)	(82.1)
Underwriting performance	(0.4)	15.7	(16.7)	(9.0)
Claims Loss Ratio (“CLR”)	72.7%	67.8%	72.7%	67.8%

Gross margin decreased by £15.1m to £58.0m (2018: £73.1m) as a result of a shift in business mix from Consumer to Corporate which, whilst only a 2.8% shift, has changed the average price earned per policy and average margin. We’ve also seen a higher level of engagement from our customers leading to higher claims incidence and an increased claims loss ratio in 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.3 Investment Performance

A.3.1 Investment portfolio

Simplyhealth's investment portfolio during the course of the year principally comprised the four funds detailed below:

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

Short-term realisable investments including cash, certificates of deposit and treasury bills, held to support liquidity requirements. The fund was drawn down in the third quarter of 2019 in support of short-term working capital requirements. The fund was classified as a cash equivalent under UK GAAP as its duration was less than 90 days from the date of deposit, but was classified as an investment under Solvency II. This fund was 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 though also fund liquidity requirements. The fund was drawn down in the third quarter of 2019 in support of short-term working capital requirements. The fund was 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 government and corporate bonds and fixed income securities, together with 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. The Group exited this fund in the third quarter of 2019 as markets, and particularly equities, were volatile as a result of uncertainty around Brexit and the effect of trade wars (US and China). This move allowed us to de-risk the investment portfolio to dampen volatility, whilst also locking in profits achieved in the first half of the year. The fund was managed by Schroder Investment Management Limited on behalf of Simplyhealth. Proceeds on exit were invested in high quality bonds and fixed income securities held in the CFIF.

A.3.2 Investment performance during the year

Investment returns (net of investment management fees) of £8.3m were generated by the Group compared to losses of £4.4m in 2018. Investments in Multi-Asset Funds (principally in the DMAF) realised net profits of £5.0m prior to sale and re-positioning of the portfolio. These profits reversed losses reported in 2018 as markets returned to favourable territory in the first half of the year. Derivative arrangements improved during 2019 and recorded net valuation gains of £1.8m compared to losses of £1.4m in 2018.

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	Multi-Asset Funds	Derivatives	Other	2019 Total	Debt Instruments	Multi-Asset Funds	Derivatives	Other	2018 Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income from investments at fair value through profit or loss	2.7	-	-	-	**2.7**	2.3	0.8	-	-	**3.1**
Income from investments not at fair value through profit or loss	-	-	-	0.2	**0.2**	-	-	-	0.2	**0.2**
Gains / (losses) on realisation of investments	0.1	5.9	(0.1)	-	**5.9**	(1.2)	-	(0.1)	-	**(1.3)**
Movement in unrealised gains / (losses) on investments	(0.7)	(0.9)	1.9	-	**0.3**	0.6	(5.0)	(1.3)	-	**(5.7)**
Investment charges and expenses	-	-	-	(0.8)	**(0.8)**	-	-	-	(0.7)	**(0.7)**
Net investment returns	**2.1**	**5.0**	**1.8**	**(0.6)**	**8.3**	**1.7**	**(4.2)**	**(1.4)**	**(0.5)**	**(4.4)**

SHA:	Debt Instruments	Multi-Asset Funds	Derivatives	Other	2019 Total	Debt Instruments	Multi-Asset Funds	Derivatives	Other	2018 Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income from investments at fair value through profit or loss	2.7	-	-	-	**2.7**	2.3	0.8	-	-	**3.1**
Gains / (losses) on realisation of investments	0.1	5.9	(0.1)	-	**5.9**	(1.2)	-	(0.1)	-	**(1.3)**
Movement in unrealised gains / (losses) on investments	(0.7)	(0.9)	1.9	-	**0.3**	0.6	(5.0)	(1.3)	-	**(5.7)**
Investment charges and expenses	-	-	-	(0.8)	**(0.8)**	-	-	-	(0.7)	**(0.7)**
Net investment returns	**2.1**	**5.0**	**1.8**	**(0.8)**	**8.1**	**1.7**	**(4.2)**	**(1.4)**	**(0.7)**	**(4.6)**

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 Limited and The Animal Healthcare Ltd are major contributors to this through their administration of capitation plans within the dental and veterinary markets.

2. Amortisation of £13.0m has been charged on the Group's intangible assets during the year (2018: £12.7m). These charges relate to goodwill arising on consolidation and on computer software assets.

There were no other significant items of income or expense recognised as comprehensive income in the year. The results for 2018 include a material adjustment of £16.1m in relation to the impairment of development costs and computer software which was disclosed as an exceptional item charged to 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 2019:

	SHG	**SHA**
	£m	**£m**
- within one year	1.0	0.1
- between one and five years	2.3	0.1
- in more than five years	1.0	-
Total	**4.3**	**0.2**

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

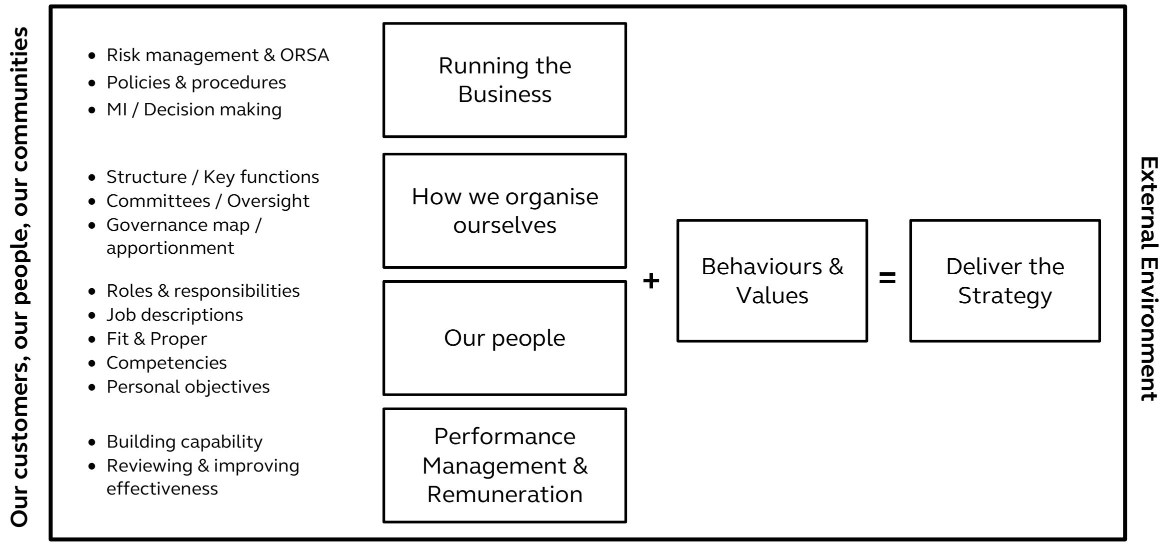
B.1.1 Incorporation and constitution

Simplyhealth Group Limited is a company limited by guarantee. The Memorandum and Articles of Association of Simplyhealth Group Limited defines 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 and up to the date of approval of this report were:

Ken Piggott	Non-executive Chairman (resigned 31 January 2020)
Gil Baldwin	Non-executive Chairman
Debbie Beaven	Executive (appointed 17 April 2020)
Tracy Dunley-Owen	Non-executive (appointed 6 January 2020)
Richard Gillies	Executive (appointed 3 February 2020)
Mike Hall	Non-executive
Richard Harris	Non-executive
Jenny Knott	Non-executive (appointed 6 January 2020)
John Maltby	Non-executive
Alex Pike	Non-executive (resigned 15 February 2019)
Romana Abdin	Chief Executive

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

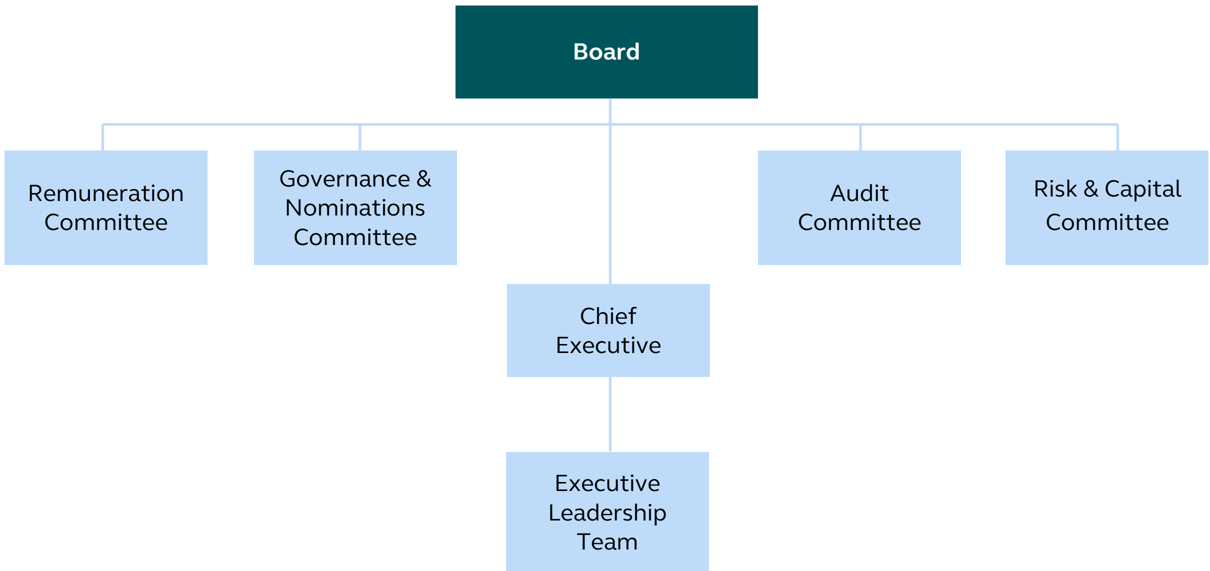
Jon Jansen-Alder (appointed 14 May 2019)

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 key Board Committees and their responsibilities are:

Board Committees and Responsibilities

Remuneration Committee	Governance & Nominations Committee	Audit Committee	Risk and Capital Committee
Chaired by M A Hall	Chaired by G Baldwin	Chaired by R J Harris	Chaired by J N Maltby
• 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 and recommending to the Board their individual remuneration packages, including any bonuses and other incentive payments. • Setting and reviewing the principles and parameters of the remuneration policy for the whole Group.	• 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. • This includes recommending candidates for appointment to the Board to ensure that collectively, we have the balance of skills, experience, independence, knowledge and diversity appropriate for Simplyhealth's operations and the regulated environment in which it operates.	• 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 and reviewing their reports and recommendations. • Reviewing the effective implementation and operation of regulatory requirements and obligations.	• Overseeing, understanding and reviewing the Group's risk profile and advising the Board on principal risk exposures and future risk strategy, including recommending the levels of key risk appetite for the business. • Ensuring that future capital requirements of the business are appropriately and adequately considered and planned for over the business planning horizon. • 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.

Chief Executive delegated authority

The Board is responsible for overseeing the setting and delivery of the strategy. It 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.

Overall responsibility for defined areas of business activity sits with a number of senior managers within Simplyhealth who are accountable for those areas and who have been formally approved by the PRA and/or the FCA in relation to their specific roles.

The Executive Leadership Team
The Executive Leadership Team comprises the Chief Executive Officer, the Chief Commercial Officer, the Chief Financial Officer and the Chief Operating Officer.

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 these functions' roles, responsibilities and resources are provided in sections B.3 (risk management system), B.4 (internal control system), B.5 (actuarial function) and B.6 (internal audit 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, comprised 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, continued to run alongside the new scheme until it vested at the end of 2019 and the liabilities arising under this scheme will be paid in 2020.

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:

	Salary	Bonus	Benefits	2019 Total	2018 Total
Executive Directors	**£**	**£**	**£**	**£**	**£**
Romana Abdin (Chief Executive Officer)	398,119	243,360	125,645	767,124	618,510
Ben Kent	-	-	-	-	420,393
Total	**398,119**	**243,360**	**125,645**	**767,124**	**1,038,903**
Non-Executive Directors					
Ken Piggott (Chairman)	148,363	-	-	148,363	139,766
Gil Baldwin	75,800	-	-	75,800	38,675
Mike Hall	62,248	-	-	62,248	59,831
Richard Harris	60,173	-	-	60,173	65,606
John Maltby	58,369	-	-	58,369	28,370
Alex Pike (resigned 15 February 2019)	6,776	-	-	6,776	47,106
Total	**411,729**	**-**	**-**	**411,729**	**379,354**

The Executive Directors opted to receive a cash payment in lieu of pension contributions. These payments are included in the value of benefits paid or payable above.

B.1.8.3 Long-Term Incentive Plan (LTIP)

The Executive Directors participate in an LTIP, which provides an incentive payment based on the business performance over an agreed performance period. There are two schemes currently in force. The 2017 scheme vested on 31 December 2019 and forms part of the liability at the year-end as it will be paid out in 2020. The notional payment value on each scheme is calculated as follows:

	2017 Scheme	2018 Scheme
Percentage allocation of Director's salary at 1 January	68%	68%
Performance period	3 years	7 years
Maximum performance related uplift	150%	nil
Multiplier	nil	5

The 2017 Scheme applied a flat 68% allocation to the Director's salary at 1 January 2017.

The 2018 Scheme made an initial allocation of 68% of the Director's salary at 1 January 2018 and then applied 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 payment may be made depending on performance during the seven year period.

How the schemes operate

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:

	Notional value at 31 December 2018 £	**Amounts paid in 2019 £**	**Amounts granted in 2019 £**	**Notional value at 31 December 2019 £**
R Abdin	**547,171**	**189,266**	**77,309**	**435,214**
Total	**547,171**	**189,266**	**77,309**	**435,214**

Under the 2017 Scheme, which matured during the year, the following amounts which are included in the notional value above, became payable to the Directors:

	Amounts payable at 31 December 2019 £	Amounts payable at 31 December 2018 £
R Abdin	**102,608**	**189,266**
Total	**102,608**	**189,266**

The amounts in the table above are not included in Directors' remuneration.

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.

Gil Baldwin had a related party interest with a private limited company, Alcuris Ltd, as a company director until his resignation as a director of Alcuris Ltd on 30 January 2020. Simplyhealth Group Limited invested £400,000 in Alcuris Ltd during 2019 through a non-controlling interest share purchase agreement. Approval for the investment was made by the Board, independent of Gil Baldwin. He did not present the case for investing and was not present at the point of the decision to invest.

No other 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 our culture and decision-making and provides an essential contribution towards the achievement of our strategy as a trusted business.

We have 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 its risk management and internal control objectives.

The Board considers risk management to be a fundamental part of good management practice 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 and objectives.

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.

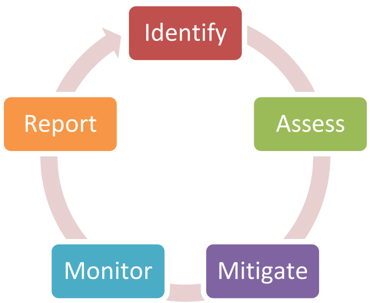
The Group's approach to risk management consists of the following components:

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

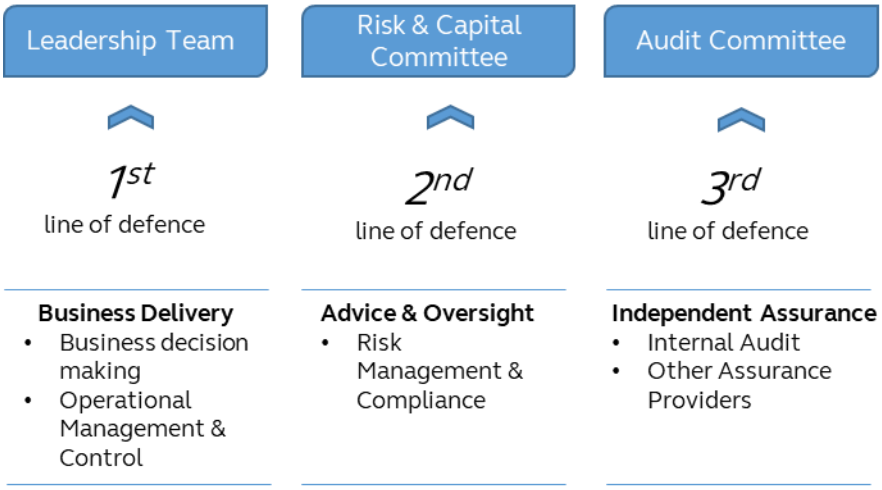
The Group maintains a risk management framework which links our operating environment, business strategy, decision-making and capital management, alongside defined risk appetites.

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 Principal risks and uncertainties

The overall risk profile is determined by:

- The environment in which Simplyhealth does business, in particular competitor activity in the healthcare market, the changing health needs and claiming behaviour of customers, regulatory changes and an improving but still fragile economic environment; and
- The business strategy, which focuses on developing existing businesses, building new ones and delivering sustainable returns, with a focus on developing outstanding customer relationships and effective governance in a changing healthcare market.

The primary risk exposures are underwriting risk, market risk, credit risk, insurance operational risk, liquidity risk, non-insurance profit risk, non-insurance operational risk. Further details on how the Group manages these risks are given in note 4 to the financial statements.

"Brexit" uncertainty

On 23 June 2016, the United Kingdom ('UK') voted to leave the European Union ('EU'). In January 2020 the Withdrawal Agreement Bill was passed through Parliament and work is now underway on the Transition Arrangements. The Transition Arrangements are intended to be agreed by the end of 2020, although they are subject to significant negotiation. There still remains the risk of a "no deal" at the end of this period.

EU audit legislation requires when completing the assessment of the potential impact of a no deal Brexit that both direct and indirect impact assessments are completed. The Group completed a revised assessment in October 2019 and concluded the following:

- The business impact to Simplyhealth is considered to remain low;
- There is no impact on the going concern status of the Group;
- A no deal Brexit would not negatively impact any of our key outsourcing relationships in their ability to provide the required services to the Group; and
- The Investment Portfolio has been de-risked reflecting general volatility.

In addition the assessment concluded that like any business, future performance will be impacted by the general macroeconomic conditions which could be adversely affected by a no deal Brexit.

Simplyhealth's approach to Coronavirus

Coronavirus is bringing into sharp focus how important it is, that all businesses are resilient and ready to meet the changeable and challenging environments that the modern world now faces. At Simplyhealth we take our responsibility as a resilient business seriously. For many years now we have been working behind the scenes to ensure that in the event of an incident, like the Coronavirus outbreak, we're able to continue to deliver services to our customers. In doing so, the safety, security and wellbeing of our colleagues will always be our number one priority. Our contingency planning is ongoing, over and above, our normal Business Continuity Plan. This is to ensure we are able and ready to respond to 'probable worst case scenarios', in line with ongoing UK Government advice.

Simplyhealth's Business Continuity plan focuses on a range of risks to the business, to ensure we have a continued service of critical applications and/or services. This approach ensures that any impact on the business, regardless of cause, can be managed accordingly up to, and including, a total loss of site.

A Coronavirus Response Team was established in early March with the responsibility of monitoring the developing situation, communicating updates and instructions to all Simplyhealth colleagues, and for managing the implementation of appropriate actions. As the seriousness of the situation increased the team immediately responded making decisions that enabled the continuation of critical business services, which included the mobilisation of remote working equipment and technology to over 800 colleagues, each of whom have critical roles in supporting the business and customers every day in a regulatory environment. A remote telephony solution was ready to use enabling us to continue recording calls and maintaining high levels of customer service.

We are proactively supporting healthcare practitioners and Dentists seeking guidance and clarity on clinical governance issues and we continue to develop ways to be "by their side" through the pandemic "lock-down" period.

Our teams are multi-skilled and will be deployed to meet customer needs in the event of infection of one or more of our Simplyhealth colleagues.

Our solvency position remains strong; not only do we have significant headroom above our SCR, even when tested against extreme scenarios, but we have protected our investments from the volatility of equity markets by moving out of equities ahead of the market fall (which started in the later part of 2019), before Coronavirus severely impacted global markets.

We intend to continue investing in our strategy to improve access to healthcare. The experience of Coronavirus has demonstrated the imperative need for new ways to access healthcare that work both physically and digitally for a new era.

Our solvency capital surplus gives us the capacity to invest for growth and to deliver our strategy, as well as being able to absorb market shocks and other stresses, which are tested through our Own Risk and Solvency Assessment (ORSA); these tests include a pandemic scenario.

We have separately modelled the impact of Coronavirus, evaluating the potential outcomes in a "lock down" scenario from 1 month to 6 months, using data from the World Health Organisation and Imperial College London, and incorporated our most prudent view in the ENID (Events Not In Data) for the solvency calculations. The strength of our Solvency position means we can absorb significant shocks and still give significant headroom above our SCR.

B.3.8 Own Risk and Solvency Assessment (ORSA)

Integration into the organisation structure

We calculate our solvency requirement under the Standard Formula Solvency Capital Requirement. This is compared to the economic solvency assessment modelled in the 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.

We determine our 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

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.

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, the underlying assumptions in the SCR calculation and ORSA and 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:

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 Manager Functions under SMCR.

B.4.2 Assurance

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

The possible impact of changes to the regulatory and legal environment is considered on an ongoing quarterly basis with a quarterly discussion paper presented to the Risk and Capital Committee which looks at both short-term and long-term regulatory and legal issues that could affect the Group, including any changes to the Solvency II framework. Any material or urgent issues that are identified are notified to the Committee and relevant Senior Managers as soon as practicable.

The annual Compliance Assurance plan includes a schedule of activities that will encompass the education of compliance training for the business and the monitoring of compliance with the Directive relevant regulations as well as interpreting new or changed requirements and providing advice to the Board and Senior Managers. The Assurance plan also sets out the proposed Internal Audit coverage for the next period, along with a range of data protection activity.

Compliance policy and manual
A compliance policy is produced annually for Board inspection and approval, which provides a clear and robust framework for our assurance activities.

Key procedures

- The production of an annual Compliance plan that sets out key objectives, processes and activities for the coming year.
- The performance of a comprehensive annual monitoring plan to assess the effectiveness of internal processes and controls in key areas of the business.
- Regulatory and legislative horizon scanning, the interpretation of new and changed requirements, and advice and challenge to the organisation regarding compliance risk.
- Regular and ad hoc provision of advice, reporting and assurance to the Board and Risk & Capital Committee on legal, regulatory and compliance risk matters.
- A review of all key controls in the Group is conducted annually.

B.4.3 Policy on bribery and corruption

Simplyhealth condemns corruption in all its forms and we will not tolerate it in our business or in those we do business with. It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

Any employee who breaches this policy faces disciplinary action, which could result in dismissal for gross misconduct. Any non-employee who is engaged by the Group and breaches this policy may have their contract terminated with immediate effect.

Monitoring and enforcement of the policy is undertaken by the Group's legal team and is administered in accordance with the Group's Whistleblowing Policy which is clearly communicated to all staff.

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 at least bi-annually to ensure its continued relevance. Updates were made to the Charter during the reporting period to reflect feedback from the Audit Committee and to update information regarding the team's reporting line.

Internal Audit's mission is to assist the Board in protecting and developing the assets, reputation and sustainability of the organisation by assessing the effectiveness of systems and processes designed to manage risk, and by providing constructive and commercially astute advice to help management improve processes and controls.

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

- The development of an audit plan of activity based on an understanding of significant risks facing the Group;
- Periodic reports summarising the progress against the audit plan, the adequacy of Internal Audit resource and the results of audit activities against defined measures. The audit plan considers an immediate timeframe of activities for the coming six months, but is reviewed quarterly to reflect changes within the organisation, any unplanned events which may occur 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 conform to The Chartered Institute of Internal Auditors International Professional Practices Framework and the International Standards for the Professional Practice of Internal Auditing. The audit methodology is reviewed on at least an annual basis by the HoIA to ensure it continues to reflect the required professional standards in the most effective manner as well as the financial service code of ethics.

An external quality assessment is completed every five years to provide assurance over the conformity to the Institute of Internal Audit standards and a benchmarked view of the effectiveness of the Internal Audit function within Simplyhealth. The most recent external quality assessment review has been completed during the reporting period by the Chartered Institute of Internal Auditors (IIA) with the outcome presented to the Audit Committee in January 2020. Any areas for potential improvement are captured as part of the ongoing quality assurance and improvement programme.

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 Chief Risk Officer ("CRO") but, to avoid any conflicts of interest, the CRO 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 ("AFH") 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 Commercial Finance team and Financial and Regulatory Reporting, 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 Commercial Finance, the Head of Financial & Regulatory Accounting 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 Underwriting 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 Underwriting 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 £10.6m and a reduction in equity of £8.6m. The latter represents 4.1% of the Group's solvency capital and 4.6% 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 material types of market risk:

- Currency risk: Arises from the investment portfolio, with some investments denominated in currencies other than sterling.
- 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 2019 was to the UK Government with (£44.1m) 25.4% 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 Head of Financial & Regulatory Accounting, 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 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%	-
	-10%	-
Currency risk	+15%	0.2
	-15%	(0.1)
Credit spread risk	-50 basis points	(0.4)
	+50 basis points	0.3

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 Group's exposure to credit risk is primarily mitigated by placing cash deposits with reputable banks that have strong credit ratings. 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 Investment Management team (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 outside of plan, 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 2019 was £19.1m for the Group and £17.2m 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.

Coronavirus

The outbreak of Coronavirus in China and its subsequent spread across the world has created an unprecedented impact upon businesses and communities.

Our priority in responding to events as they unfolded was to ensure we were able to effectively serve our customers, and to protect the health and wellbeing of our colleagues. The decisions taken and the implementation of contingency plans have delivered continuity of service and support for our customers and the feedback from our colleagues is that they feel very supported.

The financial impact is being closely monitored as events unfold. ORSA stress tests have been performed and we will continue to run them as and when new data and evidence becomes available, however we are confident that even under very extreme scenarios we remain solvent. We have taken a prudent deduction in Own Funds, which has been included within our 2019 Solvency calculations.

Our Risk Management System has been tested by Coronavirus crisis and has proven to be robust and is operating effectively.

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.

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 underwriting margin;
- An adverse combination of economic events leading to downturn in the market and a change in investment performance;
- The impact on the investment portfolio of global actions on climate change;
- An operational risk event arising from a data protection breach;
- The impact on the business of a 'hard' Brexit;
- A claims spike and increased claims incidence rates; and
- 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 2020-22 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 2019.

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 Practice ("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.

Consolidated balance sheet

As at 31 December 2019

		Financial statements (UK GAAP)	Reclassification adjustments	Solvency II valuation adjustments	Solvency II
Assets	**Section**	**£m**	**£m**	**£m**	**£m**
Goodwill	D.1.1	26.3	-	(26.3)	-
Other intangible assets	D.1.2	1.9	-	(1.9)	-
Deferred acquisition costs	D.1.3	0.8	-	(0.8)	-
Deferred tax assets	D.1.4	2.4	-	(2.1)	0.3
Property, plant and equipment held for own use	D.1.5	11.2	-	-	11.2
Investment holdings in related undertakings	D.1.6	7.0	(0.7)	(6.3)	-
Equities	D.1.7	0.7		(0.6)	0.1
Bonds	D.1.7	171.6	0.8	-	172.4
Derivative assets	D.1.7	0.9	-	-	0.9
Insurance and intermediaries receivables	D.1.8	93.0	(85.5)	(3.3)	4.2
Receivables (trade, not insurance)	D.1.9	3.4	(0.5)	-	2.9
Cash and cash equivalents	D.1.10	44.4	0.7	-	45.1
Any other assets, not elsewhere shown	D.1.11	3.5	(0.8)	-	2.7
TOTAL ASSETS		**367.1**	**(86.0)**	**(41.3)**	**239.8**
Liabilities	**Section**		**£m**	**£m**	**£m**
Technical provisions	D.2	97.7	(80.3)	(16.6)	0.8
Payables (trade, not insurance)	D.3.1	33.6	(5.7)	-	27.9
TOTAL LIABILITIES		**131.3**	**(86.0)**	**(16.6)**	**28.7**
Excess of Assets over Liabilities		**235.8**	**-**	**(24.7)**	**211.1**

Simplyhealth Access

Balance sheet

As at 31 December 2019

		Financial statements (UK GAAP)	Reclassification adjustments	Solvency II valuation adjustments	Solvency II
Assets	**Section**	**£m**	**£m**	**£m**	**£m**
Other intangible assets	D.1.2	0.8	-	(0.8)	-
Deferred acquisition costs	D.1.3	2.9	-	(2.9)	-
Deferred tax assets	D.1.4	1.7	-	(1.5)	0.2
Property, plant and equipment held for own use	D.1.5	9.5	-	-	9.5
Investment holdings in related undertakings	D.1.6	1.1	-	(0.1)	1.0
Bonds	D.1.7	171.6	0.8	-	172.4
Derivative assets	D.1.7	0.9	-	-	0.9
Insurance and intermediaries receivables	D.1.8	90.8	(85.6)	(3.3)	1.9
Receivables (trade, not insurance)	D.1.9	3.8	(0.4)	-	3.4
Cash and cash equivalents	D.1.10	10.0	-	-	10.0
Any other assets, not elsewhere shown	D.1.11	3.0	(0.8)	-	2.2
TOTAL ASSETS		**296.1**	**(86.0)**	**(8.6)**	**201.5**
Liabilities	**Section**		**£m**	**£m**	**£m**
Technical provisions	D.2	97.7	(80.3)	(15.0)	2.4
Payables (trade, not insurance)	D.3.1	19.5	(5.7)	-	13.8
TOTAL LIABILITIES		**117.2**	**(86.0)**	**(15.0)**	**16.2**
Excess of Assets over Liabilities		**178.9**	**-**	**6.4**	**185.3**

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.

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.1.6 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 by the Group according to the above hierarchy:

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Unlisted equity investments	-	-	0.1	0.1
Debt securities	-	171.9	0.5	172.4
Derivative assets	0.1	0.8	-	0.9
Total investment assets	**0.1**	**172.7**	**0.6**	**173.4**

For solvency purposes, the following reclassification adjustments is made:

- Accrued interest is reclassified from 'any other assets, not elsewhere shown' to 'bonds'.

D.1.7 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 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.1.8 Receivables (trade, not insurance)

Receivables (trade, not insurance) corresponds to receivables not related to the insurance business.

D.1.9 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.

D.1.10 Any other assets, not elsewhere shown

Items included under this heading include prepayments and accrued interest receivable. The Solvency II valuation includes the reclassification of accrued interest to ‘bonds’.

D.2 Technical provisions

Health (similar to non-life): Medical Expenses	**SHG**		**SHA**	
	At 31 December 2019 £m	**At 31 December 2018 £m**	**At 31 December 2019 £m**	**At 31 December 2018 £m**
Provision for unearned premiums	81.5	79.1	81.5	79.1
Provision for claims outstanding	16.2	16.5	16.2	16.5
Financial Statements (UK GAAP)	**97.7**	**95.6**	**97.7**	**95.6**
Insurance premium receivables not yet overdue	(85.6)	(86.4)	(85.6)	(86.4)
Derivative reclassification	-	(0.2)	-	(0.2)
Insurance premium tax payable	5.3	5.4	5.3	5.4
Reclassification adjustments	(80.3)	(81.2)	(80.3)	(81.2)
Unearned premium economic adjustments	(34.6)	(29.9)	(34.6)	(29.9)
Provision for adverse development of claims	(1.2)	(0.8)	(1.2)	(0.8)
Events Not In Data (ENID) adjustments	7.6	1.3	7.6	1.3
Expense adjustments	9.7	9.0	11.3	9.6
Discounting adjustments	(0.1)	0.0	(0.1)	0.0
Risk margin	2.0	1.9	2.0	1.9
Solvency II valuation adjustments	(16.6)	(18.5)	(15.0)	(17.9)
Best estimate liability	(1.2)	(5.9)	0.4	(5.3)
Risk margin	2.0	1.9	2.0	1.9
Solvency II	**0.8**	**(4.1)**	**2.4**	**(3.5)**

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.
- The best estimates are calculated gross of reinsurances ceded as all reinsurances have been fully run-off.

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.

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.
- 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. Additional calculations have been undertaken through modelling the impact of Coronavirus, evaluating the potential outcomes in a “lock down” scenario from 1 month to 6 months, using data from the World Health Organisation and Imperial College London, and incorporated our most prudent view in the ENID (Events not in data) for the solvency calculations.
- 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 £5.8m has been reclassified as cash outflows within the technical provisions.

D.4 Alternative methods for valuation

The Group uses an alternative valuation method to value the £0.5m 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. The unlisted equity investment of £0.1m classified as level 3 in section D.1.7 has been valued on the basis of the proportionate share of the relevant assets of the company assessed on a Solvency II basis.

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	
Capital tier	**Details**	**At 31 December 2019 £m**	**At 31 December 2018 £m**	**At 31 December 2019 £m**	**At 31 December 2018 £m**
Unrestricted tier 1	Share capital and reserves	210.8	217.4	185.1	196.1
Tier 3	Deferred tax	0.3	-	0.2	-
Eligible basic own funds to cover the MCR		**210.8**	**217.4**	**185.1**	**196.1**
Eligible own funds to cover the SCR		**211.1**	**217.4**	**185.3**	**196.1**

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 reduction in unrestricted Tier 1 capital during the year results primarily from increases in the level of "ENID" calculation in the premium provision.

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 2019 £m	**At 31 December 2018 £m**	**At 31 December 2019 £m**	**At 31 December 2018 £m**
UK GAAP equity per audited financial statements	235.8	245.6	178.9	185.4
Inadmissible asset: Goodwill and intangible assets	(28.2)	(41.1)	(0.8)	(1.3)
Inadmissible asset: Deferred acquisition costs	(0.8)	(0.4)	(2.9)	(2.9)
Adjust technical provisions to Solvency II basis	13.3	18.5	11.7	17.9
Deferred tax valuation adjustments	(2.1)	(3.2)	(1.5)	(2.7)
Investment valuation adjustments	(6.9)	(2.0)	(0.1)	(0.3)
Solvency II eligible own funds	**211.1**	**217.4**	**185.3**	**196.1**

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).

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

	SHG		SHA	
Risk modules	**At 31 December 2019 £m**	**At 31 December 2018 £m**	**At 31 December 2019 £m**	**At 31 December 2018 £m**
Health underwriting risk	36.4	37.7	35.9	37.4
Counterparty default risk	3.9	3.0	3.2	2.8
Market risk	10.2	21.7	9.8	21.6
Diversification credit	(9.0)	(13.4)	(8.4)	(13.2)
Basic SCR requirement	41.5	49.0	40.5	48.6
Operational risk	6.4	6.8	6.4	6.8
Loss-absorbing capacity of deferred tax	0.0	0.0	0.0	0.0
Solvency Capital Requirement (SCR)	47.9	55.8	46.9	55.4
Minimum Capital Requirement (MCR)	11.7	14.0	11.7	13.8

The decrease in SCR over the reporting period was primarily due to the reduction in market risk arising from the re-positioning of the investment portfolio as a move to dampen volatility emerging from market concerns over Brexit and US-China trade wars. Following the exit from the largely equity based DMAF the Group re-invested in high quality investment bonds and fixed income securities held in the CFIF.

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 Regulatory 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

29 May 2020

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 2019:

- 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 2019, **('the Narrative Disclosures subject to audit')**; and
- 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')**
- 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 2019 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

29 May 2020

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 2019
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	255
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	11,137
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	173,381
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	109
R0110	*Equities – listed*	0
R0120	*Equities – unlisted*	109
R0130	*Bonds*	172,414
R0140	*Government Bonds*	79,016
R0150	*Corporate Bonds*	93,398
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	858
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:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
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	4,218
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	2,987
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	45,131
R0420	Any other assets, not elsewhere shown	2,726
R0500	**Total assets**	239,835

S.02.01.02 - Balance sheet (continued)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	838
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)*	838
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	(1,144)
R0590	*Risk margin*	1,982
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*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
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	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	1
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	27,898
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**	28,737
R1000	**Excess of assets over liabilities**	211,098

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*	214,755	214,755
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	214,755	214,755
	Premiums earned		
R0210	*Gross - Direct Business*	212,339	212,339
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	212,339	212,339
	Claims incurred		
R0310	*Gross - Direct Business*	151,443	151,443
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*		0
R0340	*Reinsurers' share*	(13)	(13)
R0400	*Net*	151,456	151,456
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	61,296	61,296
R1200	**Other expenses**		0
R1300	**Total expenses**		61,296

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*	214,755	214,755
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	214,755	214,755
	Premiums earned		
R0210	*Gross - Direct Business*	212,339	212,339
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	212,339	212,339
	Claims incurred		
R0310	*Gross - Direct Business*	151,443	151,443
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0
R0340	*Reinsurers' share*	(13)	(13)
R0400	*Net*	151,456	151,456
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*	0	0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	61,296	61,296
R1200	**Other expenses**		0
R1300	**Total expenses**		61,296

S.23.01.22 - 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	210,843	210,843			
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	255				255
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	0	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**	211,093	210,838	0	0	255

S.23.01.22 - Own Funds (continued)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Ancillary own funds	C0010	C0020	C0030	C0040	C0050
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)	211,093	210,838	0	0	255
R0530	Total available own funds to meet the minimum consolidated group SCR	210,838	210,838	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)	211,093	210,838	0	0	255
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	210,838	210,838	0	0	
R0610	**Minimum consolidated Group SCR**	11,727				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	1,797.91%				
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)**	211,098	210,843	0	0	255
R0680	**Group SCR**	47,879				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	440.90%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	211,098				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges	0				
R0730	Other basic own fund items	255				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0750	Other non-available own funds	0				
R0760	**Reconciliation reserve**	210,843				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	19,097				
R0790	**Total Expected profits included in future premiums (EPIFP)**	19,097				

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	10,237		9
R0020	Counterparty default risk	3,854		
R0030	Life underwriting risk	0	9	9
R0040	Health underwriting risk	36,427	9	9
R0050	Non-life underwriting risk	0	9	9
R0060	Diversification	(9,010)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	41,509		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,370
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**	47,879
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	47,879
	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	11,727
	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**	47,879

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 2019
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	231
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	9,455
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	174,297
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	1,005
R0100	*Equities*	20
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	20
R0130	*Bonds*	172,414
R0140	*Government Bonds*	79,016
R0150	*Corporate Bonds*	93,398
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	858
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:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
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	1,904
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	3,488
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	9,958
R0420	Any other assets, not elsewhere shown	2,205
R0500	**Total assets**	201,539

S.02.01.02 - Balance sheet (continued)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,431
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)*	2,431
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	449
R0590	*Risk margin*	1,982
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*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
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	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	1
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	13,761
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**	16,193
R1000	**Excess of assets over liabilities**	185,346

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*	214,755	214,755
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	214,755	214,755
	Premiums earned		
R0210	*Gross - Direct Business*	212,339	212,339
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	212,339	212,339
	Claims incurred		
R0310	*Gross - Direct Business*	151,443	151,443
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0
R0340	*Reinsurers' share*	(13)	(13)
R0400	*Net*	151,456	151,456
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	77,441	77,441
R1200	**Other expenses**		0
R1300	**Total expenses**		77,441

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*	214,755	214,755
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	214,755	214,755
	Premiums earned		
R0210	*Gross - Direct Business*	212,339	212,339
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	212,339	212,339
	Claims incurred		
R0310	*Gross - Direct Business*	151,443	151,443
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0
R0340	*Reinsurers' share*	(13)	(13)
R0400	*Net*	151,456	151,456
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*	0	0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	77,441	77,441
R1200	**Other expenses**		0
R1300	**Total expenses**		77,441

S.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance	Total Non-Life obligation
		Medical expense insurance	
		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	0
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross	(15,175)	(15,175)
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**	(15,175)	(15,175)
	Claims provisions		
R0160	Gross	15,624	15,624
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0
R0250	**Net Best Estimate of Claims Provisions**	15,624	15,624
R0260	**Total best estimate - gross**	449	449
R0270	**Total best estimate - net**	449	449
R0280	**Risk margin**	1,982	1,982
	Amount of the transitional on Technical Provisions		
R0290	Technical Provisions calculated as a whole	0	0
R0300	Best estimate	0	0
R0310	Risk margin	0	0
R0320	**Technical provisions - total**	2,431	2,431
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	2,431	2,431

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											16	16	16
R0160	N-9	0	27,416	601	97	26	43	34	15	12	9		9	28,253
R0170	N-8	234,518	25,542	417	80	79	53	25	23	12			12	260,750
R0180	N-7	286,288	31,945	625	241	100	47	29	19				19	319,295
R0190	N-6	244,118	32,937	891	232	75	46	34					34	278,333
R0200	N-5	241,664	29,571	921	217	115	57						57	272,546
R0210	N-4	245,019	24,255	750	206	94							94	270,324
R0220	N-3	192,105	15,286	675	196								196	208,262
R0230	N-2	139,105	13,892	658									658	153,654
R0240	N-1	135,391	12,599										12,599	147,991
R0250	N	138,102											138,102	138,102
R0260												Total	151,796	2,077,526

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	Year end (discounted data)
	Year	Development year											C0360
		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	30	0	0	0					0
R0200	N-5	0	0	219	33	0	0						0
R0210	N-4	0	967	202	39	0							0
R0220	N-3	17,551	832	217	43								42
R0230	N-2	16,516	893	249									244
R0240	N-1	15,072	950										940
R0250	N	14,449											14,397
R0260												Total	15,624

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	185,115	185,115			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	231				231
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	0
R0290	**Total basic own funds after deductions**	185,346	185,115	0	0	231
	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	185,346	185,115	0	0	231
R0510	Total available own funds to meet the MCR	185,115	185,115	0	0	
R0540	Total eligible own funds to meet the SCR	185,346	185,115	0	0	231
R0550	Total eligible own funds to meet the MCR	185,115	185,115	0	0	
R0580	**SCR**	46,908				
R0600	**MCR**	11,727				
R0620	**Ratio of Eligible own funds to SCR**	395.13%				
R0640	**Ratio of Eligible own funds to MCR**	1,578.54%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	185,346
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	231
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	185,115
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	17,240
R0790	**Total Expected profits included in future premiums (EPIFP)**	17,240

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	9,785		9
R0020	Counterparty default risk	3,203		
R0030	Life underwriting risk	0	9	9
R0040	Health underwriting risk	35,896	9	9
R0050	Non-life underwriting risk	0	9	9
R0060	Diversification	(8,346)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	40,538		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,370
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**	46,908
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	46,908

	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	10,115

		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	449	214,755
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	10,115
R0310	SCR	46,908
R0320	MCR cap	21,109
R0330	MCR floor	11,727
R0340	Combined MCR	11,727
R0350	Absolute floor of the MCR	2,153
R0400	**Minimum Capital Requirement**	11,727

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
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
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