



# Always on hand

**Annual Report  
2019**





**3.95m**

members  
with plans



**£1m**

community  
investment and  
support



**239** DAYS

colleague  
volunteering



**4,240**

children participating  
in Teeth Team  
programme



**£235.8m**

reserves



Over **7,000**

appointments made with  
our 24/7 GP service



**4.4m**

visits to our  
website



**99.9%**

self-service portal  
availability



**2.9m**

claims  
processed



**91%**

of customers rated the  
“ease of completing online  
claims” as “very good”



**£15m**

invested back  
into our business



**4.5**

Trust pilot score

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# Company information

## Directors

R Abdin  
G Baldwin  
D J Beaven  
T Dunley-Owen  
R Gillies  
M A Hall  
R J Harris  
J Knott  
J N Maltby

## Registered office

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## Bankers

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## Solicitors

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## Independent auditor

Grant Thornton UK LLP  
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# A few words from Gil



## Continuing to deliver purpose-led healthcare through this challenging time

As I write my first statement as the new Chairman of Simplyhealth we are all dealing with the consequences, personal and for our way of life, of the Coronavirus pandemic. The measures undertaken by our Government and those around the world are unprecedented and their impact will be far reaching and enduring. All of us are having to learn to live with this new 'normal' and to find ways to function as a society in these circumstances. In particular, learning how to support each other when we can't pop round for a chat and a cup of tea, has become a test of innovation, endurance and resilience.

It goes without saying that all those touched by this disease are very much in our thoughts and we are continuing our efforts to support all of our colleagues, customers and members as we would in normal times, but more importantly in ways that are needed now.

For us in Simplyhealth the vision set down by our founders is as relevant today as it was when we were created in 1872.

Our purpose is to give access to healthcare to **the many**, for the **long term**. It has rarely been so publicly acknowledged and necessary. The NHS and our Social Care workers, with their magnificent staff are rightly focused on saving as many lives as they can. I do not doubt that you join me in expressing our gratitude for their professionalism and courage.

But it also means that many of the services that we have all been used to accessing are severely constrained. Just like when we were formed and led the way to create and provide healthcare services for the many in need.

Everyone at Simplyhealth is passionate about our Purpose, and it was one of the key reasons why I was honoured to be appointed Chairman of this exceptional business. It means that we put people first. We are not driven by shareholders or investors to deliver profit at all cost and we use the freedom wisely to invest for the long-term benefit of our customers commercially, but with our values and Purpose underpinning every decision.

We are able to support our customers and communities; listening, adapting, and responding, as we have done in good times and bad over the last 148 years. These strengths will ensure we turn and face the future with the strategic focus, determination and resources to continue to deliver healthcare that is relevant, for the next century.

I'm incredibly proud of the whole Simplyhealth team and their efforts over the last few months. What has been achieved in moving operations from a building centric call centre operation to a distributed network of home workers is extraordinary. The willingness to continue to support our customers by adopting new ways of working, going the extra mile and supporting one another, is just wonderful to experience.

We have also continued to contribute to communities in need, locally and also nationally. For example, to ensure those with diabetes, who are especially vulnerable at this time, are able to continue to access the support they need, we have provided Diabetes UK with £70,000 of new funding through our partnership with them.

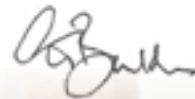
I want to finish by looking forward. Last year we started a journey to transform how we support you, our customers. Our aim was, and is, to give you the health services you need, in a way you want to access them and

at a time that is convenient to you. When we set out on this journey, I don't think any of us could have predicted the emergence of a global emergency so profound and severe that the need to deliver on this promise would be compressed into days and months rather than years. We are already delivering our commitment to you and you may rest assured that we have already deepened and accelerated our investment and efforts in this area.

All of us in Simplyhealth remain totally committed to delivering on our Purpose; healthcare for the many, for the long term and we have the strength of our Solvency position, which gives us the resilience to absorb significant shocks like a pandemic, so we can be confident that we will be here serving our customers now and in the future, whatever that may look like. I hope the epidemic touches you as lightly as possible and that you are able to remain safe.

When Coronavirus is less of an experience and more of a memory, the work we have started to grow our business will continue. We will carry on making important choices and decisions to prioritise areas of investment in 2020 and beyond to continue to help millions more people access the healthcare they need.

**Gil Baldwin**  
Chairman




# Reflections from Ken

**To our voting members,  
our customers,  
our colleagues and  
other interested followers.**

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## A different way of doing business

I am composing my last report to you as Chairman of Simplyhealth with a mixture of sadness and pride. I have had a long corporate career as both an executive and non-executive director but it wasn't until I joined Simplyhealth as a non-executive director in 2005 that I realised that there was a different kind of business – a Purpose led business. An alternate business model that could deliver against the commercial imperatives but also create real value to colleagues, customers, communities and society.

So why are we different? Well, the first difference is why we are in business. For 148 years we have been seeking to solve one of society's biggest challenges: making access to high quality healthcare affordable for the many for the long term. Our 'Why', the reason we exist. We believe that nobody should go without the healthcare support that they need nor should you have to wait for good health. Health is nothing less than the stuff of life.

And a healthy life is a better life. Those beliefs were important to us and our customers in 1872 and they are equally as important to us and our customers in 2019.

2008 was the year that I became Chairman and it was the year that we were severely tested as an organisation. I remember 2008 as a year of extraordinary economic events that shook our financial markets and global economies. It was also the start of a period of austerity for the NHS that we are still living with.

So let me take a few minutes to reflect on my last 365 days as Chairman. During the year, Romana and her leadership team led the greatest level of internal change than at any time in our long history. All of our colleagues were affected by organisational changes of one kind or another and sadly we said goodbye to 149 of our people. Yet our colleagues continued to serve our customers, support one another, introduce new products, forge new partnerships and embrace and implement new technology.

I would like to thank all of our people for their hard work, passion and commitment to delivering on our Purpose. We remain steeped in our tradition of caring for others. It is Simplyhealth's unique strength. It is something that takes time to build, is extremely difficult for others to replicate and it's in our DNA.

As we look towards the future, a top priority for us is continued development of our people, to ensure that we have the skills, judgement and integrity for this decade and beyond.

### **This starts with the Board of Simplyhealth.**

As we enter 2020, I am passing the leadership of the Board to a new Chairman, Gil Baldwin. I welcome Gil to his new role and I have no doubt that he will be an outstanding Chairman.



Ultimately, Board members have a role that is both weighty and inspiring. They are the spine of the organisation and their direction can change an entire business for the better. Constructing a quality Board is about the calibre and perspective of individual directors chosen, as well as the deliberate creation of a dynamic and a chemistry that allows for the entire execution of corporate governance and strategic oversight. In 2019 we continued to work on placing greater trust in one another and working together more effectively.

I would like to assure you that the leadership may change but the Board remains committed to our Purpose and our business model of managing for the long term, whilst remaining focused on delivering what we set out to do today.

We have varied and well balanced expertise, experience and diversity on our Board which was boosted at the end of the year when we welcomed Tracy Dunley-Owen and Jenny Knott as non-executive directors, subject to regulatory approval. I would like to personally thank Richard Harris for the valuable contribution that he has made as a non-executive Director and for chairing the Audit Committee as he steps down at the AGM in June 2020.

I'd like to finish by personally thanking you, our customers, for placing your confidence in us. We enter a new decade well placed to deliver on our Purpose more powerfully than we have ever done in our history and on a strong foundation to achieve long term sustainable growth.

Finally, let me close with a personal observation. Serving as Chairman of Simplyhealth has been the greatest professional honour of my life.

**Ladies and Gentlemen, thank you.**







# Who are we



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

## **Our purpose is**

Improving access to healthcare

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## **Because we believe**

No one should go without the  
healthcare support they need

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## **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. They wanted to ensure vast numbers of ordinary people were able to live healthier and better lives.

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 consolidate and began to play a wider social role in the community. This was the start of what would become Simplyhealth.

**1800s**

Voluntary Hospitals founded

**1850s**

The first hospital savings schemes introduced



**1972**

HSA Charitable Trust launched

**1982**

Medisure founded



**1948**

Launch of the National Health Service

**1922**

HSA (Hospital Saving Association) and BCWA (Bristol Contributory Welfare Association) founded

**1887**

LHF (Leeds Hospital Fund) founded



**1872**

Manchester & Salford Hospital Saturday Fund (MSHSF) officially established

**2005**

Healthsure and BCWA joins the Group



**2002**

LHF joins forces with HSA

**1999**

Manchester & Salford Hospital Saturday Fund (MSHSF) and Healthcare Insurance Alliance merge to form HealthSure Group Ltd

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

## 2006

Simplyhealth Group becomes a legal entity and welcomes Totally Active and Remedi to the Group

## 2011

Denplan joins Simplyhealth

## 2009

Simplyhealth celebrates its 'birth' day

## 2012

Simplyhealth celebrates 140 years in healthcare

## 2014

Setting a new direction for our business focused on funding, delivery & guidance

## 2016

Simplyhealth exits the Private Medical Insurance market

## 2015

Denplan acquires The Animal Healthcare Company Ltd who go on to support 1m pets in 2018



## 2020 and beyond...

With a newly appointed board, we will continue to develop new products and services to deliver ever more powerfully on our Purpose into the next decade, and beyond.



## 2019

Simplyhealth becomes England Rugby's new trusted healthcare partner

## 2019

We undertake a comprehensive review of our business to become 'One Simplyhealth', preparing the organisation for the next phase in the evolution of Simplyhealth



But we're operating in a world with an increasingly complex and fragmented healthcare system that isn't easy to navigate.

To better deliver on our purpose, we started to focus more on 'value'; driving better accessibility to the everyday healthcare market for our members

We continue to simplify our business and drive profitable growth by optimising and protecting our core business.

Working closely with a wide range of partners we create more and better services for our customers. Partners also provide us with technology solutions and access to more customers than ever before.

While our customers' specific requirements from us shift over time, their fundamental health needs remain the same: they want affordable, easy access to everyday healthcare, when they need it, where they need it.

**In the next decade we will be central in connecting those with health needs to those who can help.**





# What we stand for

**We are proud**

of the core beliefs  
that every one of our  
colleagues lives by



## **We are customer focused**

We constantly find opportunities to make the experience better and easier for our customers by understanding and caring about their needs.



## **We set high standards**

We set clear and ambitious goals for ourselves to achieve and take accountability to deliver against them. We have regular goal reviews, both recognising and celebrating success, continually looking to stretch our capability and address under-performance in a timely and respectful way.



## **We do the right thing**

We have the courage to do the right thing for our customers and our business, even if this involves a difficult or unpopular decision or conversation. We take bold decisions, which may succeed or fail, in the interest of doing the right thing and delivering on our purpose.



# What we do

Our core products and services



**Simplyhealth  
Corporates**



**Simplyhealth  
Consumers**



**Denplan**



**Animal  
Healthcare**



Improving the health and wellbeing of employees

Cost effective, easy to manage service

nearly  
**4,800**  
corporate  
accounts

**475,000**  
corporate  
employees  
covered

**888,000**  
claims

Fast, easy, and affordable healthcare

Simple, cost-effective access to expert help & treatments

A focus on prevention, rather than cure

**500,000**  
customers\*

**2 million**  
claims

Range of products for their customers

Business support

Professional support (including training and events)

**6,700**  
Denplan  
dentists

**1.4 million**  
Denplan  
patients

**For pet owners**  
prevention, reassurance and cost certainty

**For vets practices**  
attractive products for their customers, greater customer loyalty

**1,900**  
vet  
practices

**1.4 million**  
pets  
covered

\*Includes corporate voluntary customers who access our cash plans via their employer but don't receive our plans as a benefit.

# How we do it

## Our purpose is in our DNA

**Colleagues** are the starting point for our business model; having the right capabilities together with a strong and positive culture are critical in driving a successful, sustainable and purpose led organisation.

**Customers** and **Communities** are our reason for being and we put them at the heart of our planning, innovation and decisions. By providing them with continually improving ways to access healthcare we deliver on our Purpose and we intend to do this more powerfully every year.

### Colleagues

Every day our **colleagues** fulfill our Purpose to ensure that no-one goes without the healthcare support they need.

### Customers

We make it easy for our **customers** to get the healthcare they need by removing barriers.

### Communities

Supporting our **communities**, both locally and nationally, lies at the very heart of what we do.

Our business model



# An overview from Romana



## The dawn of a new era and decade

As I write this report, I'm reflecting that we stand, not just at the start of a new decade, but at the dawn of a new era for Simplyhealth. I have the privilege of being the Chief Executive of Simplyhealth during a challenging but exciting time in our history. It is my honour to lead the business into a future that sees us expanding our reach and helping more people than ever access healthcare.

In this year's annual report, we look back at last year's performance and outline how we are constantly evolving to navigate the dramatic changes in global politics, the world economy, science, technology and culture. In my report I share my reflections on our performance and the aspirations for the years to come.

Most importantly, I want to emphasise my confidence in our capabilities, express my realistic optimism about our opportunities and challenges and offer my thoughts on how we continue to deliver on our Purpose and play our part in shaping the future of healthcare.

But before I reflect on our performance in 2019 and look to the future, I also think it's important to consider the past. Because as the Chairman has said, the reason we're in business - improving access to healthcare, our operating model of making it easy, for the many and for the long term, is as relevant today as it was when we were founded in 1872.



After many years of financial pressure, the NHS stands at the threshold of a new decade in an unprecedented financial situation, standards for A&E and other waiting times are not being routinely met and care quality standards are in some cases below what patients deserve. In the first 70 years of the NHS, the average annual budget rise was 3.7%. However, between 2009/10 and 2018/19, the average funding growth each year was just 1.4%. Even with the government's cash boost for the NHS, annual growth will still only be 3.4%.

But through it all it is vital for me that we preserve our Purpose and ensure we remain a sustainable, trusted and relevant business, offering millions of people the first class support they need with their healthcare now and into the future.

And while our customers' specific requirements from us shift slightly over time, their fundamental health needs remain the same: they want affordable, easy access to everyday healthcare, when they need it, where they need it.

## Building a sustainable, customer-led organisation



Our digital capability has expanded further this year which has allowed us to deliver a more seamless customer experience through a redesign of our website. This has meant customers can now access their policy details more easily, and make claims online, at a time that suits them.

Core to building a sustainable customer-led business, is shaping a fit for purpose organisation. To ensure we give our customers the very best value, we have been working hard to simplify our business.

During the summer of 2019 we designed a new operating model, bringing all our businesses together as "One Simplyhealth" with centres of excellence to focus on **growth** through sales and marketing, **service** with strong, flexible and mobile resources and processes to give the highest levels of service to our customers at any time and in any circumstance and a leaner **support** structure to provide all the core professional services for Simplyhealth as a Public Interest Entity (and Group) and Regulated business.

Knowing the restructuring was the right thing to do did not make the decision any easier, but despite the loss of 149 hardworking and committed colleagues I am proud of the way we treated our colleagues.

As we move into our new era we will make sure that our nearly 1000 colleagues in Simplyhealth are happy and fulfilled and that everything we do is focused on making things easier for them, as well as our customers.

Our market leading benefits proposition that gives every colleague the choice and flexibility they deserve to meet their individual health needs and life stages. And we continue to support all our employees; equipping them with the right tools and training to ensure they both undertake their roles effectively, but also are well placed to continue their personal development and support our business' growth opportunities.

In 2019 we reviewed our strategy and our place in the market. Over the year we have concentrated on getting ourselves ready for the decade ahead, transforming and modernising our business.

We have improved, and continue to make our customers' experience easier, through simplified customer lifecycle journeys and transforming our back office functions to improve capability, remove complexity and reduce operating cost.





## 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 I'm personally 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.

## Looking to the next decade

I am proud of the purposeful steps we took throughout 2019 to set our business up for future success. In March 2020, ahead of finalising our strategic report, 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.

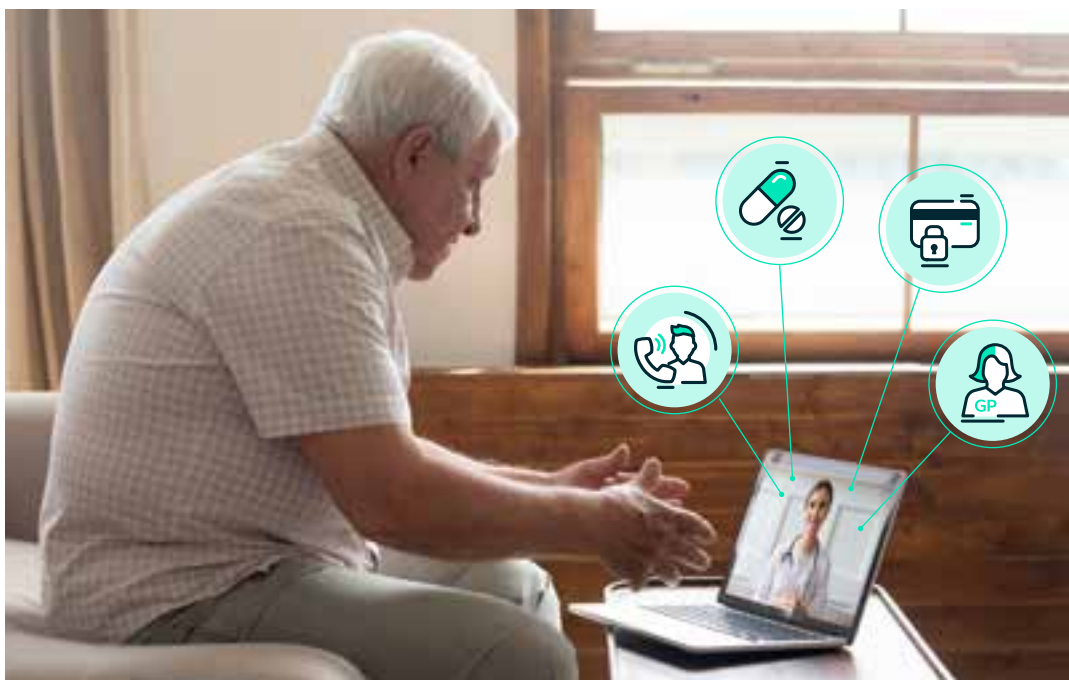
### Our priorities in 2020 will be to:

- 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.

I look forward to telling you all about our progress in my next report.

Finally, thank you to all my colleagues for all we have achieved throughout 2019, their resilience, flexibility and belief in our purpose have enabled us to deal with the Coronavirus crisis and to be there for each other and our customers. Purpose is in our DNA and we will ensure that there are opportunities for our One Simplyhealth team to work together making healthcare easier for all our customers for decades to come.

**Romana**



# Our Colleagues



Our people make Simplyhealth special. Together, through a strong sense of individual and collective value, we deliver performance and drive success. That's why it's so important for us to shape a happy, healthy and fit for purpose organisation with a strong culture and social conscience.

**We're proud of the core beliefs that every one of our colleagues lives by:**

- + We are **customer focused**
- + We **set high standards**
- + We **do the right thing**

## Making it easy to serve our customers brilliantly

We know that retaining and developing our people is crucial to maintaining our position as market leader. As we innovate for a new technological age, where customer demands and needs are changing, we will continue to recruit talent and bring more diversity to our colleague population.

To make sure we give our customers the very best value, we continually focus on simplifying our business. In 2019 we redesigned our operating model to improve the way we work, and created Centres of Excellence to help us deliver a more efficient and effective service for our customers.

We are streamlining our operations in all areas, removing complexity and creating the right environment for collaboration to thrive. Through a project that started back in 2018 we are modernising and standardising a number of our systems. In 2019 we invested in updating our local area networks in each of our buildings, improving the resilience of our internally connected network.

We have also replaced a large number of our desktop computers with our new Virtual Desktop solution, providing our customer service agents with faster connections and devices and an agile working solution.

Our Modern Working Environment (MWE) programme, designed to provide colleagues with a new and healthier working environment in which to thrive and perform to the best of their abilities, continued through 2019. Last year we completed the upgrade of our Winchester and Hambleden House offices. The programme will conclude in 2020 with the refurbishment of Alan Child House, at which point all colleagues will have the opportunity to work in any office in a healthy, modern, creative and agile work space.

Already, with these improvements, our teams are now better placed to support our customers and deliver value for money services. And simpler customer support and technology developments that make it easier for customers to access help when they need it.

## Equality is the foundation of our culture

We are committed to supporting the wellbeing and safety of our colleagues and our priority is to make sure we have a culture of diversity, equality and inclusion, with fair opportunities for all.

There is no bias in our recruitment and reward principles and we treat our colleagues fairly in terms of pay. Everyone in our business is able to personally develop and continue their career growth regardless of their gender, background, sexual orientation, religion and disability. This means that different perspectives continue to influence our thinking and help us make the right decisions that enable our diverse customer base get the healthcare support they need.

## Maintaining our colleagues' physical and mental health

We never underestimate the importance of investing in the health and wellbeing of our colleagues, and our wellbeing strategy helps our people be the best versions of themselves.

In 2019, we developed a Wellbeing and Mental Health Toolkit, providing inspiration and advice on health matters and access to critical support when our colleagues need it for issues they're facing both inside and outside the workplace.

Our Employee Assistance Programme (EAP) is key to providing that support to our colleagues. During 2019 our colleagues made 879 calls to the EAP counselling service, and 189 calls to the advice line.

We also invested in their ongoing healthcare, providing the tools to allow early identification and prevention of possible health problems, based on a series of mini health checks.

This included tests to check blood pressure, cholesterol and vitamin D levels as well as an assessment to determine an individual's risk of developing diabetes based on their current lifestyle choices.

A series of events were organised in May 2019 as part of Mental Health Awareness Week. We held short 'relax and go' sessions, lunchtime walks and chill out and recharge zones, where calming music, herbal teas and mindfulness colouring books provided a relaxing environment. The feedback from colleagues showed their appreciation.



"The highlight was the presentation from The Sleep Geek. I was fortunate to get one of the one to one consultations and he really helped me with my own insomnia issues. It was a real 'money can't buy' experience, one I am certainly extremely grateful for." **Kym Page, Marketing**



## Since then we have spent time talking about Purpose with our colleagues and bringing real personal stories to life by encouraging people to share their experiences.

In November we heard from one of our colleagues, Lauren, who shared with us her story of how she had experienced a terrible series of losses in her life. Recognising she needed help she called Simplyhealth's Employee Assistance Programme phone line and spoke to a counsellor who helped her work through some of the overwhelming emotions she was feeling.

In Lauren's own words – the counsellors she spoke to: “allowed me to talk about my feelings and I have come out the other side with a fresh outlook on life and where my life is going. I have an increased determination to enjoy life and make every second count.”



She also wanted to share her experiences of both her loss, and the message that ‘it's ok not to be ok’ with her colleagues, and bravely agreed to host a series of sessions where colleagues could come along, listen to her and share their own experiences. She said:

“If I have one piece of advice to give it's to talk about things. Even if you feel like you don't want to burden your nearest and dearest, pick up the phone and call the EAP line. Whether it be the loss of someone in your life or a breakdown of a relationship or you're having money troubles as examples, the team at Health Assured are there to support and help you in your times of need.”

## Listening to colleague needs and enjoying higher levels of engagement

As in previous years we constantly strive to improve our colleague experience, celebrate what is working well and focus on where we can do even better. In 2019 we introduced our new listening tool Chatterbox, making it easier for our employees to give honest feedback about all aspects of our business and their day to day work lives.

One of the findings from our Chatterbox surveys in 2019 was that, while colleagues felt well supported from a physical health perspective, they wanted more support with their mental health. This led to the

development of our Wellbeing and Mental Health Toolkit. This toolkit, hosted on our intranet, includes short videos, worksheets, exercises, and guidance of where to turn if colleagues need support with any aspect of their wellbeing and mental health. In 2020 we will be building on this work. Early in the year we will train a small team of mental first aiders from within the business to ensure we always have people on site who are trained to support a colleague in need. As well as this we will deliver more awareness sessions of how services such as our Employee Assistance Programme can help provide a range of support to our colleagues.

As we enter 2020 we will continue our engagement surveys using Chatterbox, listen to colleague feedback and respond to their needs. By recognising trends we can understand what really matters and can make the biggest difference to our personal colleague experience.

## Supporting our colleagues to grow with us

Like all successful businesses we support the development of our colleagues and provide opportunities for them to reach their true potential by making appropriate tools available to them. Managers are supported to discuss personal and professional development areas with their teams through personal development programmes, and they work with their team members to design development plans to help them achieve personal growth and fulfil their career ambitions.

We refreshed our approach to performance management for our leadership team in 2019, introducing a Connected Leadership programme with one area of focus being detection, support and guidance with areas such as mental health. We know we have more to do though, and in 2020 we will help our leaders improve their skills in coaching and mentoring teams to build a stronger development and growth culture.

## Sharing our vision for the future as we look forward

We know an important part of colleagues' feeling engaged and happy at work is that they can see how the work they do is making a difference in our business. And in order to do that, they not only need to understand our business strategy, but also see how what they do every day is helping us achieve our ambitions. In February 2020 we brought our whole organisation together across a series of colleague briefings to share our strategy and vision for 2020 and beyond. The briefings focused on the future direction of Simplyhealth and how we will continue to make a difference to our customers' health care outcomes.

As well as talking about our strategy and priorities for 2020, we also took time to respond to questions and feedback and explore elements of the plan more thoroughly.






# Our Customers

Our customers' health and wellbeing is our Purpose. The very reason we're here is to help our customers navigate a fast-changing health landscape and maintain their everyday health.

**In 2019** we made it easier for nearly four million people across the UK to access the healthcare they need, when they need it.



**“So simple to submit a claim now, the website is so easy, no lengthy pages to fill in.”**

Cashplan Consumer

## Easy, affordable healthcare for consumers

We know our consumers value easier ways to claim against their health plans and stay healthy without having to be out of pocket. Consumer research tells us that the top challenges they were facing included accessing healthcare services when they needed them, knowing who to turn to for help, and concerns over the cost of regular healthcare needs.

In November 2019 we launched our new Simplyhealth Plan to help overcome some of these challenges. We made it easy for consumers to access healthcare faster using a 24/7 GP phone service as well as other services. We've introduced the Simplyhealth app which brings a fast, intuitive experience to online users and affordable access to healthcare services. What's more, the app has a direct link to our customer self-service portal to make claiming online even more convenient.

Our website and self-service portal have been redesigned and optimised for mobile, making the claiming experience easier. Since these changes, online claiming has increased from 41.0% to 48.0%.



# Making it simple for businesses to keep employees healthy

Corporate customers are an important and growing part of our business. Our aim is to give them what they need to help improve their employee wellbeing and support them in having a healthy, productive working life. The health plans we offer are a valuable part of their employee value proposition, as well as being cost effective and easy to manage.

Over the course of 2019 we're proud to have **won 645** new corporate clients and increased the numbers of lives covered through our corporate plans by **51,286**.



virgin atlantic

 **HOLIDAYS**

## Flying high with a new corporate customer

In July we secured a new contract with Virgin Atlantic to deliver their dental health scheme.

“The dental insurance scheme landed brilliantly with our employees and had the second highest take up from when we launched with our flexible benefits in June. We have had great feedback from employees using both the healthcare cash plan and dental scheme, they are a great addition to our everyday healthcare & wellbeing benefit offering.”

**Shanie Tucker, Benefits Manager, Virgin**



## Denplan: a premium dental brand

With our Denplan business we help dentists improve their patient's oral health through providing affordable and comprehensive dental payment plans that they can offer to their patients. We also provide dentists with support to run their own businesses.

We want to make sure dentists can see the value we're bringing to them and their patients, so throughout 2020 we'll be refining the Denplan proposition. By focusing on boosting the number of patients who sign-up to our dental plans across practices, we hope to see some outstanding growth. And, by pinpointing the values our customers find in Denplan, we'll be able to establish areas of success and areas that are in need of improvement.





## We want to reassure pet owners

Our pet health plans are designed to offer support to veterinary practices wanting to build a regular and sustainable income, by offering their clients preventative pet health care. Becoming a member vet with Simplyhealth comes with a variety of benefits, including access to marketing tools, Continuing Professional Development (CPD) accredited training, one-to-one practice support, and more.

We play our part in encouraging pet owners to look after the long term health of their pets by visiting their vets more frequently. Our pet health plans cover pet owners for their pet's regular, preventive health treatments - the regular things that pet insurance generally doesn't cover. These include vaccinations, flea, worm and parasite treatments, and regular check-up visits to a vet.

## Improving Customer Experience in 2019

It's important to know whether our customers are experiencing the very best service from us. The focus for Simplyhealth's customer experience in 2019 was to strengthen the depth of customer knowledge we hold within the business and to use this insight to innovate and grow.

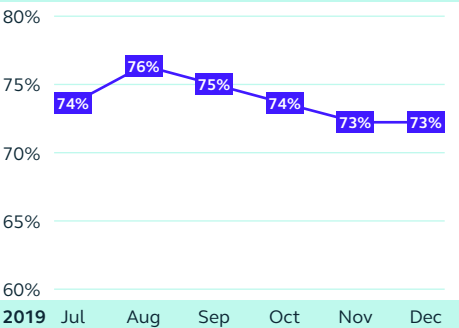
## Customer Voice: a new way to measure our customer experience

At the end of 2018 we improved how we measure our customer experience and developed our new Customer Voice programme.

Customer Voice has given us one common way of tracking customer satisfaction across all our customer groups, and better ways of measuring interactions with different customers. It has also allowed us to gather valuable feedback on our performance from more customers than ever before.

By improving our customer tracking programme (CXI) we've been able to get more consistent measures of customer experience across the Simplyhealth Group. This consistency helps us see more quickly areas where we need to improve and how we can address customers' needs as they evolve.

**Overall End Customer Trended Satisfaction**  
3 month rolling, % very satisfied



## Easier claiming with an enhanced self-service

By gathering feedback in Customer Voice and seeing why calls are made to our Customer Services team, we could see that improving the self-service portal would make a big difference. We looked at the current customer journey and analysed how different types of customers used our claim systems. Then we considered how we could improve their experience and better meet their needs, for example we changed our customer landing page, and made it clearer to see how they can claim.

We used Customer Voice scores to track the impact of the project. Between Q2 and Q4 2019, customers who rated the 'ease of completing online claims' as 'very good' showed a significant uplift from 85% to 91%. Those who scored the 'ease of uploading receipts or supporting documentation' as 'very good' also rose significantly from 84% to 89%. By making our online claiming more effortless, we hope to support even more customers to make the transition to online claiming over the course of 2020.

“Fast and friendly service and the phone call I made was answered immediately by the advisor - excellent - really pleased.

**Dental patient, Very Satisfied**

“That was much easier to use a vast improvement.

**Consumer, Very Satisfied**

“Alison the lady I spoke to on the phone could not have been more helpful it was a pleasure to speak with her.

**Pet owner, Very Satisfied**

## Harnessing the power of online customer reviews

Although customer surveys provide valuable feedback, we know that new customers will be reading reviews as part of their decision making process. We started using Trustpilot in 2019. It's one of the world's leading review platforms for collecting customer feedback about our services. By the end of 2019 we had over 500 reviews and an overall star rating of 4.5 (Excellent).

★ “Pleasure to deal with a team who are prompt to revert back with queries and for actioning thereafter. I normally recommend everyone to register with Denplan as they are thorough and very helpful.”

**Denplan, 5★**

★ “I've been with Simplyhealth for a few years now and I'm able to upgrade/change cover to suit my needs. The policies are brilliant and I've never had any issues when I've had to contact them. Staff are efficient, polite and helpful. Thanks.”

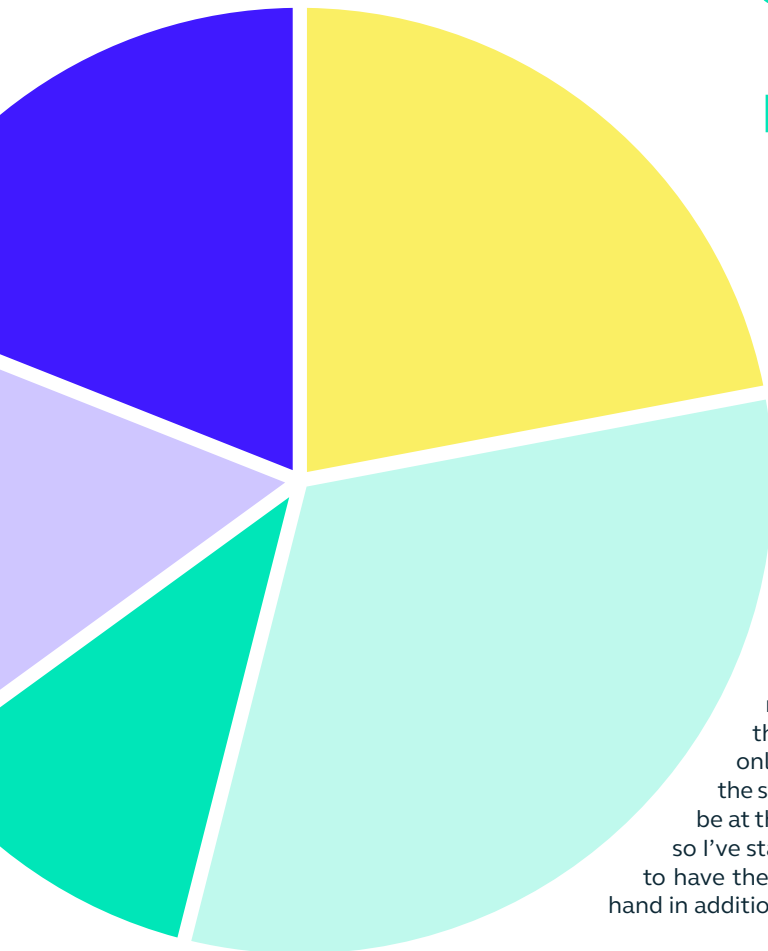
**Simplyhealth, 5★**



## Improving customers' health for the long term

By helping our customers take a preventive approach to their healthcare, we're guiding them to improve their long-term health. What's more, we're proud to be supporting our longstanding NHS by providing alternative ways to access similar services.

● <1 Year   ● 1 - 5 Years   ● 6 - 10 Years   ● 11 - 15 Years   ● 16 - 20 Years



Over 46% of our customers have been with us for more than six years

“Help through the generations...I have been with Simplyhealth (and its predecessors – the Manchester & Salford Hospital Saturday Fund & Healthsure) all my life and I am now in my late seventies. My mother entered and paid for each new member of the family at birth as in those days there was no NHS. I have seen many changes/improvements/adjustments – not least to my monthly contributions! I did not like the idea of having to do everything online and considered pulling out – but the staff reassured me they would always be at the end of the telephone to help and so I've stayed on and can say – YES, it's good to have the reassurance of help and advice at hand in addition to the NHS.” **Barbara H**





# Our Communities



It's always been in our DNA to support health related charities and local communities. We've supported some amazing people throughout our 148-year history and enabled fairer access to healthcare for them, whatever their situation in life. Driven by a passion for people's health and wellbeing, we intend to keep looking after our people, communities and our planet for many decades to come.



# SIMPLYTHRIVE

## Doing what we can for a sustainable environment

We're always working to improve our impact as a sustainable business, and as a result, we've created Simplythrive. It's our new sustainability plan which captures four key areas.

### Healthy people

Simplyhealth was founded to help everyone across the UK afford access to healthcare as soon as they need it - whoever they are, however shallow their pocket. This remains our Purpose today and is why we enable colleagues and customers to stay healthy and thrive.

As we build a thriving business, our profits go towards enabling access to healthcare professionals for those who can't afford it, reducing pressure on the NHS.

### Shared value

### Collaborative communities

The visionary founders of Simplyhealth built a model which promoted a collaborative community to help both people and business to thrive. Today, our model remains as true and relevant as ever.

As a responsible business, we understand the importance of protecting our planet's valuable resources and vulnerable ecosystem. The health of our planet can have a direct impact on our human health.

### Healthy planet

## Keeping people healthy

Simplyhealth was founded to help people access healthcare as soon as they need it. This hasn't changed. It's our aim to ensure our colleagues and customers can stay healthy and thrive - that's why they can connect with Simplyhealth's Purpose and value being part of a meaningful business with an awareness of people's needs.

We donate a portion of our profits each year to charity or community projects, with donations spread across a wide range of healthcare-related charities. The total invested and donated to these activities was close to £1m in 2019. Over the following pages you can read more about our work with some key charity partners in 2019.

Give As You Earn is a way our colleagues can easily donate to charities of their choice. Nearly 11% of colleagues donate through Give As You Earn, and many more take part in charitable activities through three volunteering days a-year, which we offer each colleague. These volunteering days amounted to 239 days of our colleagues' time in 2019 - equivalent to more than one colleague's annual working year. Throughout 2020, we're launching a new volunteering platform to make it easier for our colleagues to search and sign up to volunteering. Additionally employees are match funded for any charity fundraising they do to a maximum of £500 per event.

By 2022, we aim to make an even bigger impact by supporting local charities. Our colleagues will be able to use their time and skills through volunteering as personal development, so we'll be giving five years' worth of human resource to local charities each year.

## REACHING

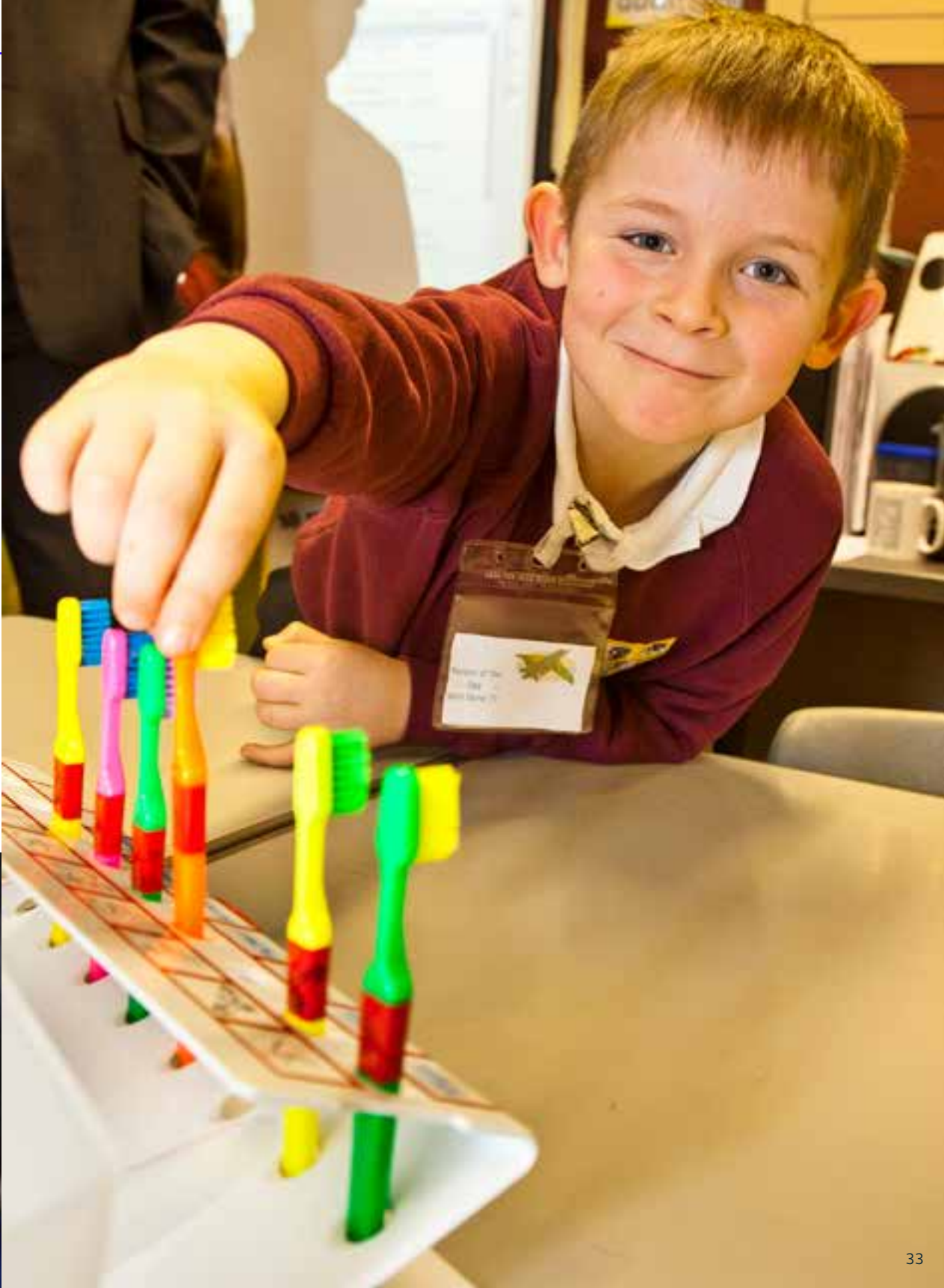
## FURTHER

### to support the whole nation's health

Our ambition is for Simplyhealth to thrive and in doing so help take more pressure off the NHS, enabling easier access to healthcare professionals for those who are less able to afford it.

Our recent focus has been on children's dental health. Denplan colleagues are helping people across the UK, particularly children from underprivileged areas, to access the dental care they need. By teaming up with the Teeth Team programme, we're able to achieve wonders in preventive dental healthcare and education.







## Brushing-up on school children's dental health

The Simplyhealth Consumer Oral Health survey in 2019 shows around a third of children in the UK don't visit the dentist regularly. In 2016 we started working with Teeth Team, a national organisation that visits schools around the UK, providing education about oral health to school-age children. They support classroom brushing, offer regular assessments from a dentist and provide fluoride varnish to prevent childhood tooth decay and extractions.

Since working with them we've invested £250,000 in the education and prevention of tooth decay in children from socially deprived areas.

## Denplan practices and Teeth Team get together

- In 2019 we started working with Teeth Team to set up pilot programmes with our Denplan member dentists. This helps them connect with local schools and provide regular free dental checks, encouraging tooth-brushing throughout the school day.
- Many of our Denplan practices are now volunteering in their local primary schools to improve the education of pupils and parents about good oral healthcare. This helps reduce future problems in young children such as fillings and teeth extractions.
- With four Denplan member practices already trialling pilot programmes, we're now recruiting more for the future.

In 2019  
Simplyhealth  
donated  
**£50,000**  
to Teeth Team,  
and this  
money has...

**paid  
for 4,240  
children**

to participate in the Teeth  
Team programme giving  
them better access to oral  
healthcare



provided dental  
assessment, hygiene and  
oral health education to  
improve health outcomes for  
children to

**48 schools**



helped to distribute

**32,452**

sets of toothbrushes and

**16,632**

tubes of toothpaste.





## Helping the homeless with Trinity Winchester

As well as supporting Teeth Team, we're working with local charities that have a direct benefit on people in our local community.

In 2019 we provided funds to Trinity Winchester, a local homeless charity, for them to fund monthly visits from the Dentaaid mobile dental bus. This provides much needed dental care for homeless people which sees patients receive a regular dental check-up from dentists and hygienists to improve their oral health.



“ Being able to visit a dentist can be life-changing for someone living on the streets. Giving someone their smile back builds confidence and puts people on the right tracks to rebuild their lives. We are grateful to Simplyhealth for funding us to do this for the whole of next year.

**Sue McKenna,**  
Chief Executive at  
Trinity Winchester



## Other charities we've supported



We donated £66,000 to provide therapy rooms in their high street hub in Bristol, where they'll deliver acupuncture and other complementary therapies to cancer patients.



We donated £34,000 in 2019 which paid for a paediatric physiotherapist's salary, to design exercise programmes to help children with disabilities improve their movement. Our total donations since 2002 have reached almost £250,000.



I Can is a truly unique centre with a passionate and skilled team of staff and volunteers using power assisted exercise and social interaction as therapy to encourage, enthuse, empower and enable people to believe that 'they can.' Over half of members are using the centre to help them manage at least two long-term health conditions such as osteoarthritis, MS, Parkinson's, stroke, heart disease, lung disease, cancer or mental health conditions.

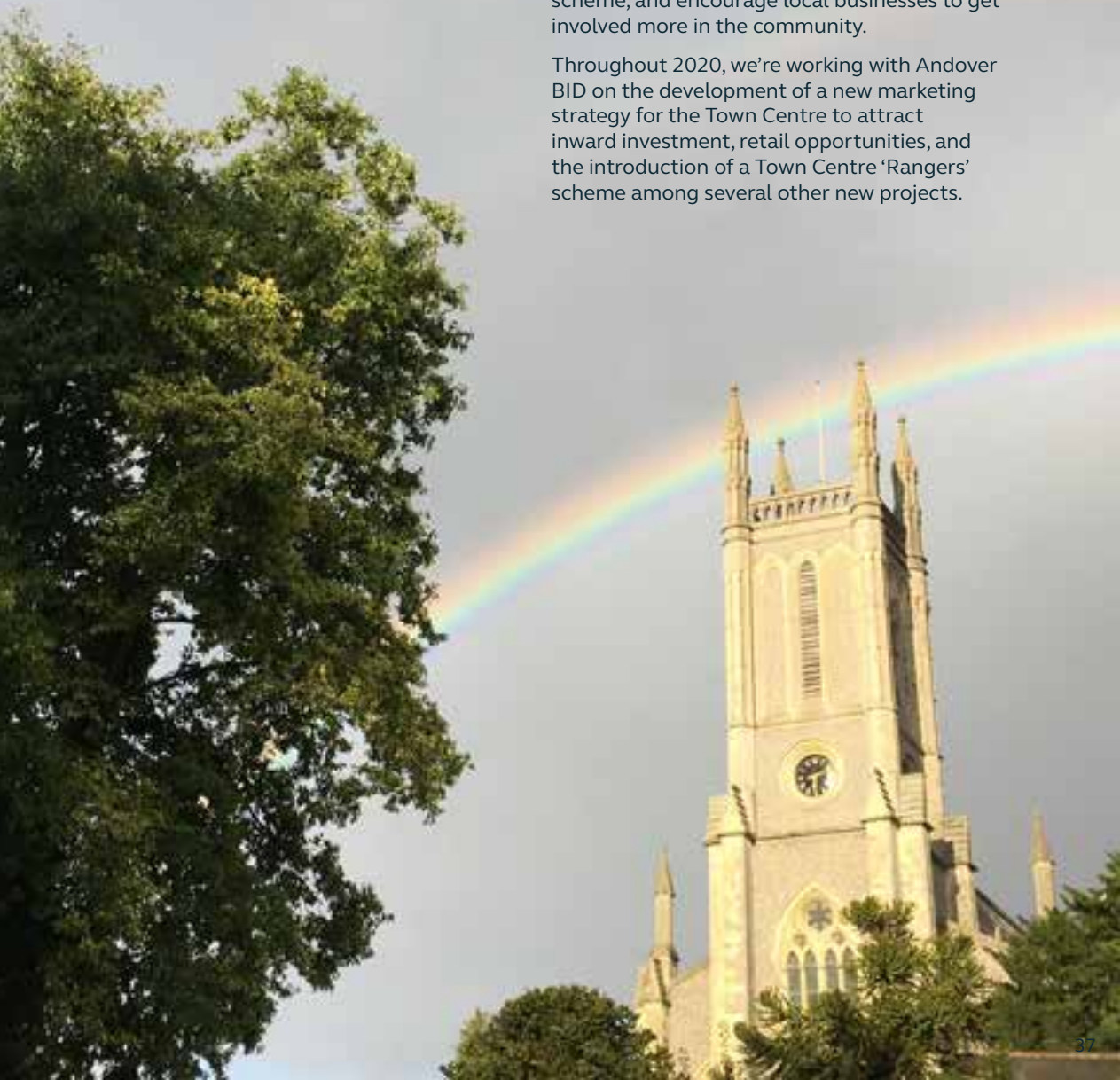
We've helped to improve access to healthcare by funding a further £70,000 towards a more accessible building and alternative support with physiotherapy and chiropractic rooms. The centre has been so popular that organisers have extended opening times for the third time and have seen an increase in capacity of 33% catering for 339 visits a week with customers coming from further afield.



## Rekindling the community buzz

As one of the main employers in Andover Simplyhealth is a key player in the Andover Business Improvement District (BID). Some of our best achievements of 2019 involved assisting the BID to deliver a rollout of free public Wi-Fi in the town centre, improve public safety through a Town Centre two-way radio scheme, and encourage local businesses to get involved more in the community.

Throughout 2020, we're working with Andover BID on the development of a new marketing strategy for the Town Centre to attract inward investment, retail opportunities, and the introduction of a Town Centre 'Rangers' scheme among several other new projects.





## Boosting the health of our planet with B Corps

The health of our planet can have a direct impact on our human health, which is why we're well aware of any negative impact our business could have.

In 2019 we started with a key goal to achieve B Corporation certification and we're determined to make it happen in 2020. Although we're well aligned to what's expected of B Corporation certification, we want to push ourselves that little bit further to meet the highest standards of social and environmental performance, public transparency and legal accountability.



**We hope to achieve B Corporation certification by the end of 2020.**

Our location based gross CO<sub>2</sub>e for 2019\* is 1,821 tonnes, with our market based gross CO<sub>2</sub>e being 1,295 tonnes as a result of us purchasing green energy.

This includes 12% gas, 29% electricity, 12% company cars, 28% flights and 19% other items.

This equates to a carbon intensity of 1.64 tonnes per colleague.

### **This includes:**

- A reduction in energy use of 9%;
- A reduction in waste, as we no longer send any waste to landfill; and
- Refrigerant losses and paper consumption.

\*In 2019 we have aligned our reporting to the SECR 2019 standards to include refrigerant losses, paper consumption, air and rail travel. Our data capture for 2019 includes items that had not previously been captured.

## A happy balance between Purpose and profit

We believe that everything we do – from supporting local communities and charitable giving, to partnerships with charities like Teeth Team – brings us closer to our goal. We'll continue to be honest and transparent in our actions with employees and the services we provide for our customers, and be as sustainable as we can with clear goals for continual improvement.

## Investing to support our Purpose

Purpose is front of mind in every decision we make, so we had a review of our Investment Strategy at the end of 2019. We listened to the Board and Executive team's investment views on environmental, social and governance (ESG), to help us decide on the investment strategy and decisions for 2020. We are continuing to deliver and implement this in 2020.



# The power of partnerships



“ If you want to go fast – go alone,  
if you want to go far – go together. ”

**Partnerships** have always been central to Simplyhealth's Purpose, strategy and growth ambitions. They've helped us provide a wider range of services, better capabilities and access to more technologies that customers enjoy using.

We'll be partnering more again this year to develop, distribute and deliver our vision of the Simplyhealth Hub. Partnership is something we've learnt a great deal about over the last three years through our close relationship with the Great Run Series.

## Getting millions moving through the Great Run series

Partnering with the Great Run Series has helped us deliver against our Purpose. We supported our colleagues, customers and communities every step of the way, helping to get millions moving.

The services we supported at The Great Run events provided a way to help ease pain and reduce the chance of injury before and after running. These included free at-event massage, post-run stretch and cool down, and the innovative Rate my Gait analysis, for all the runners across more than 60 events. Our 575 'Team Simplyhealth' runners and Simplyhealth colleague volunteers have all enthusiastically embraced being part of something that makes a real difference – both to their own and others' lives. We've seen first-hand how the founder of the Great Run, Brendan Foster, has brought to life his vision of getting people to 'give it a go'.

Our Great Run partnership has been a companywide success in so many ways, for so many people. We're now taking everything we've learned into our new partnership as England Rugby's Trusted Healthcare Partner.



## Celebrating the Rugby Football Union

In 2019 we were delighted to sign a partnership with England Rugby (the RFU) as their trusted healthcare partner, and lead partner of the RFU's safety awareness campaign, RugbySafe.

Our partnership will run for an initial period of five years, in which we aim to attract new customers and retain existing consumer, corporate cash plan and Denplan clients. Alongside, we'll be providing easy access health, wellbeing and safety guidance for the wider rugby community of around 2.2m registered RFU members.

## Our chance to shape a healthier Rugby world

RugbySafe is the RFU player safety and wellbeing programme, putting player welfare at the heart of the game and increasing awareness of safety best-practice to influence behaviour and make sure rugby is as safe as possible.

As the lead partner for RugbySafe we'll be using our knowledge in healthcare to support the RFU in making rugby a safe game, and promoting safe practice across the sport. It gives us the chance to take up a host of opportunities that the partnership offers us, to get involved in rugby at all levels of the sport, as well as working to keep the game safe for players.

Our new partnership can also help us spread the message of why it's so important to look after health and wellbeing at home and in the workplace, while giving us the chance to show how playing sport can benefit physical and mental health.



Working with the RFU, we'll be creating a best-in-class web-based platform that opens up our knowledge base to help make rugby safer. With Simplyhealth branding and creative control, we'll be creating a bespoke channel of communication with the rugby community through a RugbySafe app.

The autumn World Cup warm-up friendlies gave us the opportunity to host several existing and potential corporate clients and intermediaries. It's also enabled us to advertise Simplyhealth to over 200,000 fans in the ground, and reach a TV audience of over one million.

2020 will hear a continual drum beat of external communications, specific direct marketing campaigns to members and the launch of a RugbySafe app.



## 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.





# Chief Financial Officer's Report



I've been a part of Simplyhealth for nearly 2 years now and I have never felt such an affinity with an organisation's purpose, where the belief in the Purpose is palpable. It creates a community of colleagues and partners with a commitment to deliver on the Purpose.

In a year that we describe as 'transformative', we've made major decisions from which we are building the next stage of our strategic development for a new decade. One key decision was the reshaping of our business to simplify our structure, bringing the business together as 'One Simplyhealth'. This sets us up with a more efficient model to deliver a strong ambition and improve access to healthcare for more people in more effective and attractive ways, more powerfully than ever before.



## Growth: our priority

Growth enables us to deliver more powerfully on our Purpose of giving **more** people access to the healthcare they need when they need it. Our technical income reduced from £227.2m to £212.3m (6.5%) in 2019, but that doesn't mean we're managing a declining business. Quite the opposite, in fact we're seeing growth with Corporate relationships and the rate of decline in our Consumer business has halved in 2019.

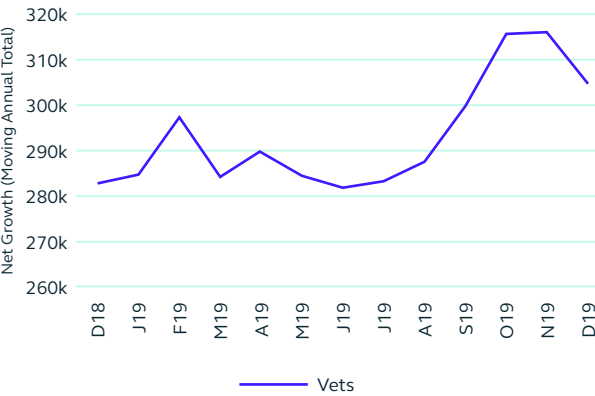
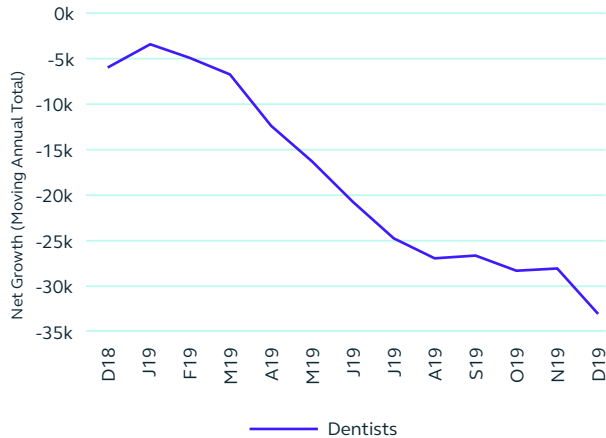
With employers truly seeing the benefits of affordable health plans to support their employees' mental and physical health, we're still seeing strong growth and securing new accounts with both large Corporates and SMEs. At the end of 2018 44% of the insured book was classed as Corporate, compared to 46.8% at the end of 2019, an increase of 2.8%. In 2018 Corporate members grew by 2.2%, rising to 6.7% in 2019.

Retention of Corporate customers averaged 79% in 2019 up by 7% points from 2018.



Throughout 2019 we reduced the rate of net decline in customer numbers, ending the year with a 5.3% decline on 2018's figures. New business remains at a constant level of 29k new joiners in 2019, compared to 28k in 2018, showing that our plans remain relevant and in demand. The biggest shift has come from a reduction in lapses year on year. We're continuing to invest in the innovation of new products and in November 2019, we launched our new Simplyhealth Plan, which provides mobile access to on-line GPs and Physios.

We made the decision to revive the Denplan apple brand, a decision that was welcomed by dentists, who feel passionately that it's an important and valued differentiator in the market. We're now working with the Denplan dentists to improve our proposition for a new decade and we're expecting to see growth return as a result.



We saw exceptional growth in our Vets business throughout the year generated mainly from our major Corporate partners.





## Customer value: getting more from our cash plans

Our customers are clearly making the most of the benefits our health plans offer, from going to the optician, dentist, physiotherapist, chiropractor, osteopath or homeopath, to using the online GP or counselling services and other health services. The cost of claims increased during 2019 from £154.1m to £154.3m (up 0.1%), despite a reduction in technical income of 6.5%, resulting in an increase in the claims loss ratio of 5%. We encourage customers to get value from our plans and it's great to see more of them staying with us as a result.

Last year my report highlighted the action we were taking to improve efficiency, making life easier for our colleagues, customers and communities by simplifying systems, standardising processes and improving our organisational structure. This year we've stepped it up again and delivered some significant projects.



## Simplification: a benefit for everyone

Simplifying and standardising our processes and ways of working drives our business' change. It's something which is benefiting our colleagues, customers and communities. The delivery against some of our simplification objectives has improved efficiency and reduced our costs.

- 2018 saw us deliver a 'Modern Working Environment' for many of our colleagues and in 2019 this work continued with all but one location. The investment that now totals £4.49m has enabled us to surrender one lease, enabled us to save office space and provide light, spacious and flexible working environments for our 914 colleagues.
- In 2018 we started the reorganisation of some of our support teams with the consolidation and co-location in Andover of our Business Change, IT teams and the Mail and Print teams. At the end of 2018 we'd started the consultations in Finance and in 2019, the new structure was in place and new people recruited.
- 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.

**Our ambition to keep simplifying and standardising remains a focus for us into the new decade and we plan for further step changes in 2020.**

## Suppliers

We work with a wide range of suppliers across almost every area of our business and our suppliers range from multinational companies, to smaller, niche service providers. Regardless of the size of supplier, we always work closely with supplier teams to develop meaningful working relationships based on trust.

Before engaging a supplier to work with us, we test the market to make sure we are getting the best service to meet our requirements, and that suppliers are delivering value for money.

We offer payment terms of 30 days but in fact it is important to us that we settle supplied invoices inside the payment terms, and our average time to pay invoices from their receipt is around 14 days.

Our in-house procurement team work closely with suppliers to develop fit for purpose contracts and provide ongoing support to both our business teams and the suppliers themselves.

We require all our suppliers to comply with standards and codes specific to their industry, and we also have our own terms and conditions that set out the standards we require of our suppliers. Over and above this, we make sure suppliers are providing us with the very best service through regular review meetings.



## Investing in our partners: achieving more together

### Alcuris

Technology is becoming a critical aid in healthcare and in 2019 we were introduced to a start-up company called Alcuris, who had developed a new product to help people and their families deal with diseases like Alzheimer's and dementia.

Alcuris' core product, called Memo, monitors the daily activity in the home, using data from wireless sensors to show a pattern of normal activity, as they go about their daily routines. If something is disrupted, the 'Memo' device can either make a phone call or communicate via an easy to use app to let family members know that something might be wrong. This technology helps people carry on in their own homes and keep their independence, while giving their family members the peace of mind that they're safe.

We invested £400,000 obtaining around 8% shareholding and have been working on a commercial partnership that will see us offering Memo to our customers.

### Dental joint ventures

We've invested in six new joint venture dental practices during 2019, bringing our total number of practices to 11 in an increasingly competitive corporate ownership market. The value of our investment at the end of 2019 was £7.0m.

### Charitable donations

Supporting charities and communities is rooted in our Purpose. In 2019 we challenged ourselves and the way we set our donations budget. With purpose at the heart of this pledge we felt it was important not to penalise those who support us if we didn't perform to plan. So we took the decision to maintain a minimum of £1m of community investment and support, irrespective of our performance.

# Key performance indicators (KPIs)

The Group manages its business performance based on the following key financial and other performance indicators.

## Total Customers ('000)

2019 3,953

2018 3,689

▲  
264

## Total technical income

2019 £212.3m

2018 £227.2m

▼  
£14.9m

## Customer experience<sup>1</sup>

2019 73% very satisfied

## Claims loss ratio<sup>2</sup>

2019 72.7%

2018 67.8%

▲  
4.9%

## Solvency II ratio<sup>3</sup>

2019 441%

2018 389%

▲  
52%

## Underlying operating profit

2019 £13.9m

2018 £18.7m

▼  
£4.8m

## % of claims made online

2019 48.0%

2018 41.0%

▲  
7%

## Colleague EAP phone calls

2019 1,068

2018 986

▲  
82

### Notes

1 The Group changed its approach to track its customer experience performance during the year. Further details have been included on page 26). As a result of these changes, the figure quoted is the three month rolling position as at 31 December 2019.

2 The claims loss ratio is calculated by dividing total claims incurred in the statement of comprehensive income by the total technical income.

3 The Solvency II Ratio is defined as Eligible Own Funds divided by the Solvency Capital Requirement. The Group's capital reserves primarily comprise of retained profits (page 84 and note 4(f)).

## Business performance in 2019

The Group made a loss before tax on continuing activities for the year of £9.9m (2018: loss of £11.3m). There were no exceptional costs in 2019 (2018: impairment in software development of £16.1m). As a result of this performance, the Group recorded a tax charge on continuing activities of £0.5m (2018: credit of £2.9m).

### Underlying operating profit

With strategic decisions and investments in transformation projects it is important that we monitor and manage the underlying performance of the business.

In the table below we strip out the results of discontinued activities, one-off projects and transactions and items such as goodwill amortisation and returns on the investment portfolio that are incidental to these activities, to provide the underlying profit on our core activities.

**The underlying operating profit is reconciled to the loss before exceptional items and tax in the statement of comprehensive income as follows:**

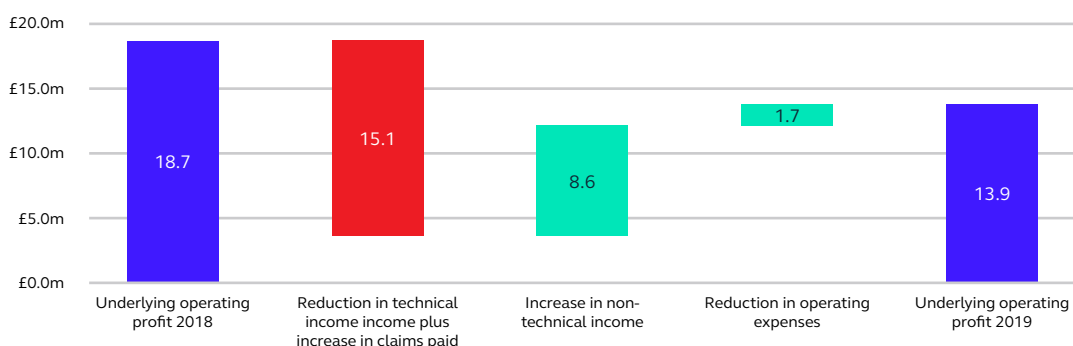
	2019 Continuing operations £m	2018 Discontinued operations £m
<b>Statement of comprehensive income:</b>		
Loss on ordinary activities before exceptional items and tax	(9.9)	(11.3)
<b>Adjustments</b>		
Add back donations	0.8	0.9
Add back amortisation of goodwill and other intangibles	13.0	12.7
Exclude investment return	(8.3)	4.4
Deduct reversal of prior year impairments	(0.1)	(0.1)
Add back revaluation loss	0.5	-
Add back corporate transformation expenses	10.4	9.6
Add back reorganisation costs	7.5	2.5
<b>Underlying operating profit*</b>	<b>13.9</b>	<b>18.7</b>

\* Underlying operating profit is defined as the surplus on the general business technical account and income and expenses of running the non-technical business including central management expenses.

## Underlying operating profit movement between 2018 and 2019

The Group continues to be profitable through a time of significant change but there has been a deterioration in our underlying profit year on year; 2019 £13.9m (2018: £18.7m). The move in our business mix from Consumer to Corporate, even though 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 (CLR).

Costs have stayed flat year on year with investments in new capabilities being balanced by savings from efficiencies throughout the year and restrictions later on in the year.





## Investment returns

With markets and particularly equities being volatile as a result of BREXIT and trade wars (US and China) we needed to decide where to place investments in the second half of 2019. We experienced the impact of market falls at the end of 2018 when we suffered losses of £3.2m and having made good gains in the first half of 2019 totalling £5.6m, we didn't want to see these gains significantly eroded through new losses.

We decided to move out of equities and moved all our investments into our Core Fixed Income Fund where there is no equity risk. In December 2019 the Board approved a new short to medium term investment strategy which will be carried out in early 2020.

It's designed to increase our returns without greatly increasing risk, until markets experience sustained improvement or stability.

This decision has proved to be very well timed. We held our position into 2020, which has shielded us from the market volatility experienced during the Coronavirus pandemic, particularly in equities.

**During the year 2019 the Group received investment income of £3.0m (2018: £3.4m). At 31 December 2019 market value of the Group's total investment portfolio was £173.2m, a decrease of £3.0m from 31 December 2018. The movement on investments is explained below:**

	Other Financial Investments	Derivatives	2019 Total
	£m	£m	£m
<b>Opening balance</b>	<b>177.2</b>	<b>(1.0)</b>	<b>176.2</b>
Net sale of debt and other fixed interest securities	(9.9)	0.1	(9.8)
Realised gains / (losses) realisation of investments and derivative settlements	5.8	(0.1)	5.7
Unrealised (losses) / gains on investments and derivatives	(1.5)	1.9	0.4
Other investments	0.7	-	0.7
<b>Closing balance</b>	<b>172.3</b>	<b>0.9</b>	<b>173.2</b>

The Group utilise Schroder Investment Management Limited, to manage its direct investment holdings in line with our risk appetite set out in the Investment Management Agreement. The performance during 2019 is a reflection on market movements rather than issues specific to our portfolio.

The realised and unrealised profits of £6.1m (2018: loss of £7.1m) represents an increase of £13.2m from last year; 7.6% of the portfolio value. The profits resulted from an improvement in global stocks during the first half of 2019.

## Cash flow

The Group's cash and cash equivalents increased by £3.7m during the year (2018: reduction of £10.4m). Our operations brought an inflow of cash of £3.2m (2018: absorption of £2.0m) primarily as a result of working capital movement and a tax refund.

A further £2.7m (2018: £5.5m) was invested in the group's IT infrastructure and systems as well as our new modern working environment, which are both part of our transformation programme. Net sales of investments totalled £9.8m (2018: net purchase £2.7m) as outlined above.

On 31 December 2019 the group held cash and cash equivalent balances totalling £44.4m (2018: £40.7m). All of the group's other financial liabilities, which comprise accruals, trade and other creditors total £33.6m.

## Taxation

The Group recorded a tax charge of £0.5m in the year (2018: tax credit of £2.9m). The tax charge is lower than the effective rate of corporation tax of 19% as relief had been received in prior years for some of the software development costs and certain costs, such as the goodwill amortisation, are not allowable as an expense for tax purposes.

The Group has a tax debtor of £0.4m (2018: debtor of £0.8m) which represents refunds due on current year payments on account. There is no net corporation tax payable at 31 December 2019 as all taxable profits are covered by group relief for losses arising elsewhere in the Group.

## Solvency

The strength of our reserves and solvency II ratio of 441% is a clear indicator of a strong, sustainable business in which people can trust to be around to support them with their healthcare needs for the long term.

As a result of a change in our investment portfolio there was a reduction in our solvency capital requirement and an increase in our capital headroom by £4.7m, resulting in a notable increase in our ratio.

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 have significant headroom above our SCR.

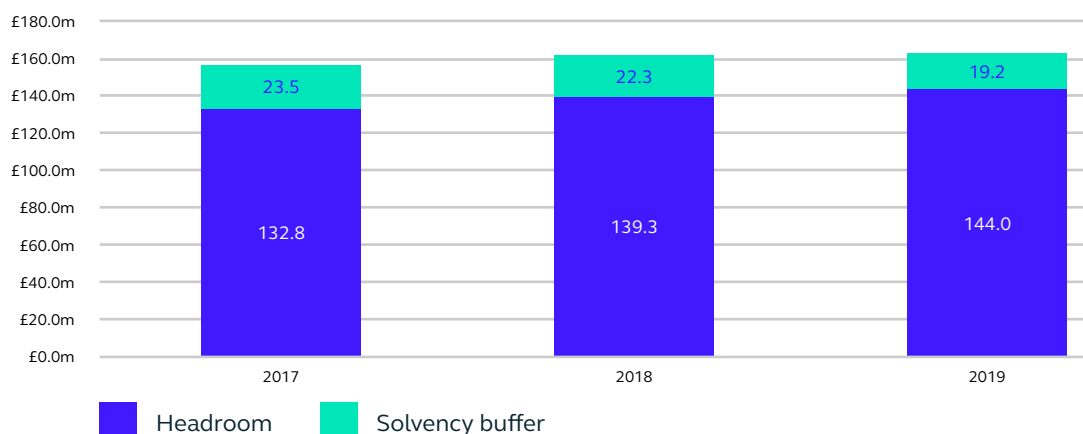
Solvency II ratio and available capital	2017	2018	2019
	£m	£m	£m
Solvency II Eligible Own Funds <sup>1</sup>	215.0	217.4	<b>211.1</b>
Less Solvency Capital Requirement	(58.7)	(55.8)	<b>(47.9)</b>
Capital Surplus	156.3	161.6	<b>163.2</b>
Solvency Buffer @ 40%	(23.5)	(22.3)	<b>(19.2)</b>
Available Capital ('Headroom')	132.8	139.3	<b>144.0</b>
<b>Solvency II ratio</b>	<b>366%</b>	<b>389%</b>	<b>441%</b>

<sup>1</sup> Eligible Own Funds consists of equity as presented in the statement of financial position adjusted onto a regulatory basis in accordance with the Solvency II rules (note 4(f)).

## Solvency position – capital surplus

The Group remains in a strong solvency position at the end of the year with Eligible Own Funds of £211.1m (2018: £217.4m) compared to its Solvency Capital Requirement ('SCR') of £47.9m (2018: £55.8m), giving a solvency ratio of 441% (2018: 389%).

Capital headroom of £144.0m (2018: £139.3m) represents the capital surplus above our regulatory capital requirements, adjusted for the Group's risk appetite. The risk appetite has been agreed with the Board of Directors and includes a capital buffer in excess of the higher of the SCR and the Group's Own Risk Solvency Assessment estimate of capital requirement which is explained further on page 66.



## Tax strategy

Simplyhealth has a clear Purpose, “improving access to healthcare for the many”, and has a strong, embedded culture of social responsibility and awareness that underpins the focus on the achievement of this Purpose. In order to support the UK State to fund services for healthcare and wellbeing for all communities, through the NHS, education system, welfare provision and other services, we believe we must pay the appropriate tax based on the financial outcomes of our business success.

Doing the right thing and acting with integrity and compassion is core to our culture which is why a minimum of 10% of our profits are donated to support communities. All other profits are reinvested in the business for the long term benefit of our customers.

Our business activities generate a variety of taxes, including corporate income taxes, employment taxes and social security contributions. In addition to meeting our own obligations to pay the correct amount of tax on time, we also collect and remit, on behalf of HM Revenue & Customs (‘HMRC’) indirect taxes, including Insurance Premium Tax and VAT.

All areas of our business share a common purpose, values and beliefs. Our in-house team of qualified tax professionals work closely with the leadership team and business managers to embed an understanding of the tax implications of what we do, helping to ensure that the group as a whole understands and applies the relevant legislation consistently and appropriately and that it uses the group-wide framework to inform commercial decision-making.

Deciding these matters can involve interpretation of rules and forming judgements, while also taking due consideration to the group’s reputation, brand, corporate and social responsibilities, as well as the applicable legal and fiduciary duties of directors and employees of the group, so we seek to be open and transparent about our approach, our decision-making processes and the outcomes achieved.



## Tax risk management

Simplyhealth's Board sets the group-wide risk appetite, which includes the tax risk appetite. Our risk management strategy sets out the process for the assessment, monitoring, reporting and escalation of risks and is overseen by the Risk & Capital Committee. Simplyhealth's leadership team and business leaders are accountable for ensuring that all commercial decisions are made in line with Simplyhealth's risk appetite.

The business will engage with the tax team when making commercial or structural decisions. Our group tax team determines, in each case, whether the technical tax implications of a decision are understood internally, or whether specialist external advice is needed. External advice may be sought in areas relating to new markets and services, or where there is uncertainty as to the application or interpretation of tax law. A specialist review of all significant tax calculations and tax-affecting accounting positions is undertaken annually by external consultants prior to filing the returns. Any concerns or significant tax risks and developments are escalated through the Senior Accounting Officer reporting and monitoring process.

Our tax team monitors and informs the business of regulatory and legislative change that affect the group, engaging with expert advisers as required to ensure we are aware of developments in compliance requirements and government guidelines, enabling us to maintain the correct application of legislation and appropriate use of government tax incentives and reliefs.

## Relationship with HMRC

We have been awarded Low Risk status by HMRC since 2010 and we wish to retain this status. In support of this, we aim to interpret the UK tax laws in a way consistent with a relationship of co-operative compliance with HMRC. Further, we aim to maintain our overall relationship with HMRC in an open and transparent manner, ensuring appropriate disclosure is made on a real-time basis.

## Governance

Simplyhealth group's tax strategy is owned by the Chief Financial Officer and approved by the Board. The Chief Financial Officer is also the group's Senior Accounting Officer ('SAO') and our tax strategy is delivered by the tax team to ensure group-wide compliance and an appropriate control framework that enables the Chief Financial Officer to submit an unqualified SAO certificate to HMRC.

**Debbie Beaven**  
Chief Financial Officer

# Corporate Governance

## Incorporation and constitution

Simplyhealth Group Limited is a company limited by guarantee.

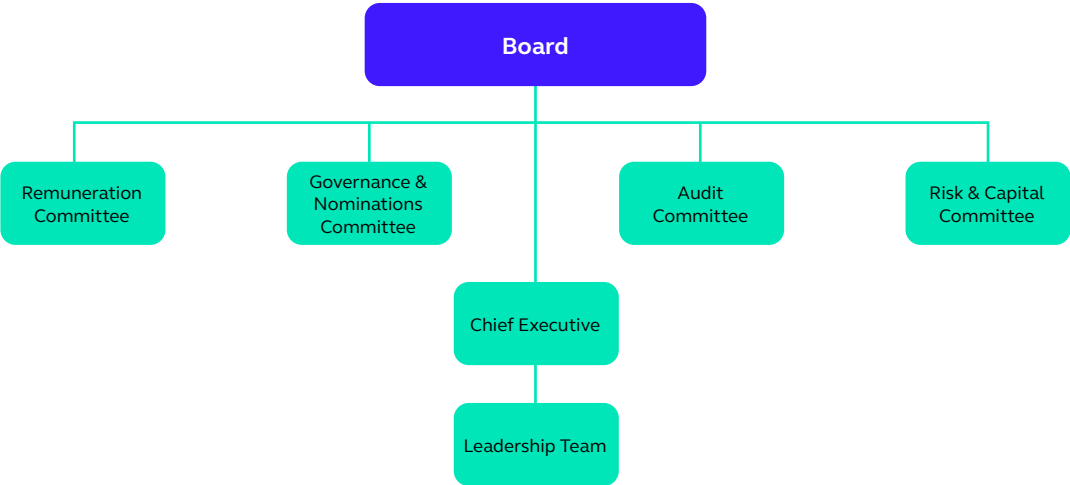
Our system of governance is designed to ensure that we are well positioned to continue to deliver our Purpose while effectively managing risk. This system is reviewed annually by the Board. As Simplyhealth has neither shareholders nor a requirement to distribute profits to members, the roles of voting members and the Board of Directors in providing effective governance are particularly important.

## Governance Structure

Our decision-making and organisational structure supports the effective governance of the business in meeting our strategic goals, our delivery of excellent customer service, and our adherence to regulations. The governance model is designed to be proportionate to the nature, scale and complexity of the risks we face.

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 risk profile. This oversight is provided through the operation of Board Committees.

## Our committee structure



# The Role of the Board

The Board is collectively responsible for ensuring Simplyhealth is successful for the benefit of our 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 we stay true to our Purpose of improving access to healthcare.

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:**

Committee	Responsibilities
<b>Remuneration Committee</b> (Chaired by M A Hall)	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.
<b>Governance and Nominations Committee</b> (Chaired by G Baldwin)	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.

Committee	Responsibilities
<b>Audit Committee</b> (Chaired by R J Harris)	<p>Reviewing the effectiveness of the system of control for managing financial and non-financial risks.</p> <p>Monitoring the integrity of the financial statements including significant reporting judgements contained within them.</p> <p>Reviewing and monitoring the effectiveness and objectivity of both the internal and external audit function and reviewing their reports and recommendations.</p> <p>Reviewing the effective implementation and operation of regulatory requirements and obligations.</p>
<b>Risk and Capital Committee</b> (Chaired by J N Maltby)	<p>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.</p> <p>Ensuring that future capital requirements of the business are appropriately and adequately considered and planned for over the business planning horizon.</p> <p>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.</p>

#### Section 172 requirements

Full disclosure on how the directors have met their responsibilities in relation to section 172 of the companies act are included in pages 71 to 72 of the Directors Report.

## 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 FCA in relation to their specific roles.

## The Executive Leadership Team

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

They are supported by the Chief Information Officer, Chief Risk Officer, Chief Underwriting Officer and 15 other Senior leaders.

### 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 it 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 Management Responsibilities Map.



# Risk management system including the own risk and solvency assessment

## 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.



## Risk management approach

We adopt 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.

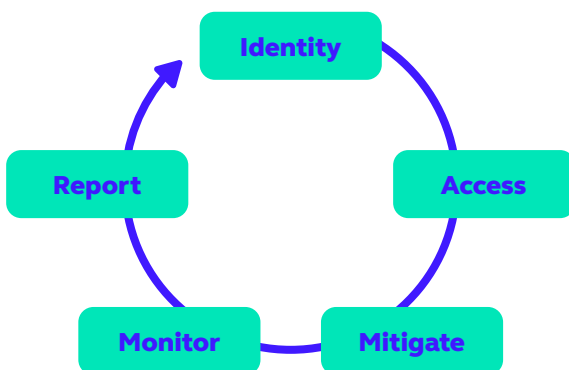
Our approach to risk management consists of the following components:

- 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.
- 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.
- 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.
- 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.

## Risk management framework

We maintain 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.



## Three Lines of Defence

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

Leadership Team	Risk & Capital Committee	Audit Committee
<div>1<sup>st</sup></div> <div>line of defence</div> <div>Business Delivery</div> <div>Business decision making Operational Management &amp; Control</div> <div><ul style="list-style-type: none"><li>• Performs risk management activities in line with risk standards, including ensuring adequate assessment of both the risk and its control strategy.</li><li>• Includes the day to day management of risk as well as risk-based decision-making within risk appetite.</li><li>• Establishes and reports against a range of key risk and control indicators.</li><li>• Proactively monitors the risk and control environment relevant to their part of the business.</li></ul></div>	<div>2<sup>nd</sup></div> <div>line of defence</div> <div>Advice &amp; Oversight</div> <div>Risk Management &amp; Compliance</div> <div><ul style="list-style-type: none"><li>• 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.</li><li>• Supports the setting of Board Risk Appetite triggers and monitors business activity against those triggers.</li><li>• Acts as a business partner, helping the business analyse risk-taking against risk appetite to better support the strategic direction of the business.</li><li>• Critically assesses the first line assessments of risk and controls.</li><li>• Performs evaluations of risk management effectiveness against a range of external benchmarks.</li></ul></div>	<div>3<sup>rd</sup></div> <div>line of defence</div> <div>Independent Assurance</div> <div>Internal Audit Other Assurance Providers</div> <div><ul style="list-style-type: none"><li>• Provides objective assurance over the effective and efficient operations of the roles, responsibilities and activities of the first and second lines.</li></ul></div>

## 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 Simplyhealth'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 management and Board reporting. This report enables the monitoring of risk-taking measured against 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.

## Risk management function

The risk management function is required to execute the risk strategy, and apply the risk framework.

## 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.

The Group monitors its exposure to non-financial risks through regular reviews of the risk profile, application of the three lines of defence model, the ORSA process and reporting to the Risk and Capital Committee.

## Own Risk and Solvency Assessment (“ORSA”)

### Integration into the organisation’s 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.

### “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.



## 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.

## Internal control system

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

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

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

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. This oversight involves the participation of the Board, the Executive Leadership Team, the Audit Committee, the Risk & Capital Committee, Group Risk, Assurance, Legal, Internal Audit, the Chief Actuary, and senior management. The day-to-day responsibility for implementation and maintenance of the internal control system rests with Simplyhealth's various Senior Manager Functions under SMCR.

## 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.

## 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.

## Internal audit function

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 annual audit plan of activity based on an understanding of significant risks facing the Group;
- Periodic reports summarising the progress against the annual audit plan, the adequacy of Internal Audit resource and the results of audit activities against defined measures. The audit plan may be adjusted throughout the year to reflect unplanned events and emerging risks;

- Reporting of significant control issues / trends; and
- An annual assessment of the adequacy and effectiveness of the organisation's systems of internal control, based on the audit work performed.

Internal Audit's working practices and outputs 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.

## 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.

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.

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.

The Strategic Report was approved by the Board of Directors and signed on their behalf,



**Romana Abdin, Chief Executive**

29 May 2020

# Directors' report

The directors present this report together with the Strategic Report, Financial Statements and Auditor's Report for the year ended 31 December 2019.

## Directors

The directors who served during the year and up to the date of approval of these financial statements were:

**K S Piggott** | Non-executive Chairman  
(resigned 31 January 2020)

**G Baldwin** | Non-executive Chairman

**D J Beaven** | Chief Financial Officer  
(Appointed 17 April 2020)

**T Dunley-Owen** | Non-executive  
(appointed 6 January 2020)

**R Gillies** | Chief Operating Officer  
(appointed 3 February 2020)

**M A Hall** | Non-executive

**R J Harris** | Non-executive

**J Knott** | Non-executive  
(appointed 6 January 2020)

**J N Maltby** | Non-executive

**A L Pike** | Non-executive  
(resigned 15 February 2019)

**R Abdin** | Chief Executive

## Secretary

The company secretary who served during the year and up to the date of approval of these financial statements was:

**J Jansen-Alder**  
(appointed 14 May 2019)



**G Baldwin**



**D J Beaven**



**T Dunley-Owen**



**R Gillies**



**M A Hall**



**R J Harris**



**J Knott**



**J N Maltby**



**R Abdin**

## Directors' report disclosures

The Strategic Report contains disclosures otherwise required to be contained in the Directors' Report in respect of employment policies, including those relating to disabled persons and future developments.

The Group's financial instruments comprise its financial investments, cash, and various items arising directly from operations such as insurance and other debtors, technical provisions and creditors. The main risks to which the Group is exposed are insurance risk, operational risk, liquidity risk, credit risk and market risk. The Group's approach to management of these risks is disclosed in the Strategic Report.

## Directors' Duties

Throughout the annual report we have provided examples of how we have taken into account the likely consequences of long-term decisions, built relationships with our key stakeholders and engaged with our employees throughout the year. The following paragraphs summarise how the Director's fulfil their duties in accordance with Section 172.

## Directors' Duties

### Statement by the directors in performance of their statutory duties in accordance Section 172

The Board have agreed that the key stakeholders for the Simplyhealth Group are colleagues, customers, suppliers, healthcare practitioners, communities and regulators. We have built and maintained relationships with each of these stakeholder groups throughout the year and in accordance with Section 172 (1) the following is a summary of how we have engaged with them:

### Our Colleagues

Our people are fundamental to the successful delivery of our plan. The health, safety and well-being of our employees is considered as part of all key decisions and we strive to manage our people's performance and personal development, whilst continuing to act as a responsible employer in our approach to the pay and benefits our employees receive. We continuously engage with our employees throughout the year through our internal engagement survey and also via our Simplyhealth Business Forum which consists of employee representatives from across all areas of our business. For further details on our people please see pages 20 to 23 of our annual report.

### Customers

Customers' health and wellbeing is our Purpose; they are the very reason we're here, helping them to navigate a fast-changing health landscape, maintain their personal everyday health and making it easier for them to access the healthcare they need, when they need it. Their needs are at the forefront of our business plan decisions. We work with our customers to ensure we continue to deliver on our Purpose through extensive research with our customer panel; providing us with a clear insight in to their healthcare priorities and needs. We have improved, and continue to make our customers' experience easier, through simplified customer lifecycle journeys and transforming our back office functions to improve capability, removing complexity and reducing operating cost. By continuously engaging with our customers we are able to measure our customers experience across the Simplyhealth Group, quickly steering us to the areas where need to improve and how we can address customers' evolving needs. For further details on how we work with our customers please see pages 24 to 29 and page 49 of our annual report.



## **Suppliers**

We value all our business relationships and have long term contracts with our key suppliers, some of which are material outsource arrangements. Through strong and actively engaged relationships we can ensure our operational activities are working efficiently and effectively and internal projects are delivered on time, to a high quality, at an efficient cost. Details on how we work with our suppliers can be seen on pages 48 and 49 of our annual report.

## **Healthcare practitioners**

The delivery of everyday healthcare relies on a strong network and supply of highly competent healthcare practitioners. We develop quality delivery partnerships with Dentists, Vets and other private medical facilities and services. We provide training and CPD support to practitioners as well as helping them achieve and maintain quality standards and accreditations.

## **Communities and the environment**

It's always been in our DNA to support health related charities and community work. Our 2020 business plan considered how we continue to support this work through the delivery of our Sustainability Plan and responsible Investment Strategy. For further details on how we interact with communities and the environment please see pages 30 to 41 our annual report.

## **Regulators**

Doing the right thing and acting with integrity is core to our culture, we operate within a robust governance and risk management framework which links to the regulatory environment in which we operate, including the requirements of the UK financial services regulators and the Solvency II Directive. Business strategy, decision-making and capital management, decisions are all made with reference against this framework to ensure ongoing compliance and we proactively engage with regulators on key decisions.

## **Key Decisions**

The board of directors of Simplyhealth Group Ltd consider that they have both individually and together, considered Section 172 (1) of the Companies Act 2006 ('s172') to an appropriate extent in relation to the decisions taken during the year ended 31 December 2019 and how we have taken into account the likely consequences of long-term decisions; the 2 key major decisions being:

### **Changes to our Operating Model**

As referenced on pages 20 to 23 of our annual report we went through a major restructure of our business in 2019. Before commencing the restructure we set up a new employee consultation forum and shared our plans; giving context to the objectives of the reorganisation and the expected outcomes. We detailed how we would support all colleagues through the change which included setting up wellbeing rooms and support. We explained the special arrangements that were available for help those who would no longer have a future with Simplyhealth, which included coaching and CV skills. This consultation forum met regularly throughout the process with members of the Executive team listening to concerns and feedback and sharing the progress that was being made. As the biggest employer in Andover we considered the impact on the local community and engaged with local media and the local council to make them aware of our plans.

### **Investment**

As part of the de-risking process of our investment portfolio, we engaged with our board and our investment advisors to ensure that our capital position remains strong during a period of economic uncertainty.

## Directors' indemnities

During the year and at the time the Directors' Report was approved, the Company's Directors were the beneficiaries of qualifying indemnity provisions in respect of proceedings brought by third parties (subject to the conditions set out in section 234 of the Companies Act 2006) provided by Simplyhealth Group Limited.

## Disclosure of information to the auditor

Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Independent auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as the Company's auditor.

By order of the Board

Hambleden House  
Waterloo Court  
Andover  
Hampshire  
SP10 1LQ



**Romana Abdin, Chief Executive**  
29 May 2020

# Directors' Responsibilities Statement

## Year ended 31 December 2019

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company and Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report

to the members of  
**Simplyhealth Group Limited**

## Opinion

We have audited the financial statements of **Simplyhealth Group Limited** (the 'parent company') and its subsidiaries (the 'group') for the **year ended 31 December 2019**, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at **31 December 2019** and of the group's **loss** for the **year** then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

## The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

## 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 financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 financial statements 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.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## Matter on which we are required to report under the Companies Act 2006

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

## Matters on which we are required to report by exception

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

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

## Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 74, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

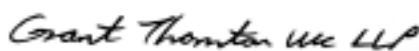
## Auditor's responsibilities for the audit of the financial statements

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

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

## Use of our report

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



### Paul Flatley

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
29 May 2020



# Financial Statements

## Year ended 31 December 2019

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Company statement of financial  
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# Consolidated statement of comprehensive income

Year ended 31 December 2019

TECHNICAL ACCOUNT – General business		Total 2019	Continuing operations 2018	Discontinued operations 2018	Total 2018
	Note	£m	£m	£m	£m
<b>Earned premiums</b>					
Gross premiums written		214.7	247.2	-	247.2
Change in the gross provision for unearned premiums	22	(2.4)	(20.0)	-	(20.0)
<b>Total technical income</b>		<b>212.3</b>	<b>227.2</b>	<b>-</b>	<b>227.2</b>
<b>Claims incurred net of reinsurance</b>					
<b>Claims paid</b>					
Gross claims paid		(154.6)	(153.8)	(0.2)	(154.0)
Reinsurers' share of claims paid		-	-	0.2	0.2
<b>Change in the provision for outstanding claims</b>					
Gross	22	0.3	(0.3)	0.2	(0.1)
Reinsurers' share	22	-	-	(0.2)	(0.2)
<b>Total claims incurred</b>		<b>(154.3)</b>	<b>(154.1)</b>	<b>-</b>	<b>(154.1)</b>
Net operating expenses and other charges	5	(58.4)	(57.4)	-	(57.4)
<b>Total technical charge</b>		<b>(212.7)</b>	<b>(211.5)</b>	<b>-</b>	<b>(211.5)</b>
<b>Balance on the general business technical account</b>		<b>(0.4)</b>	<b>15.7</b>	<b>-</b>	<b>15.7</b>

# Consolidated statement of comprehensive income

Year ended 31 December 2019

	Note	Total 2019 £m	Continuing operations 2018 £m	Discontinued operations 2018 £m	Total 2018 £m
<b>Balance on the general business technical account</b>		<b>(0.4)</b>	15.7	-	15.7
<b>NON TECHNICAL ACCOUNT</b>					
<b>Investment returns</b>					
Income from investments	7	2.9	3.4	-	3.4
Gains/(losses) on realisation of investments		5.9	(1.3)	-	(1.3)
Unrealised gains / (losses) on investments		0.3	(5.8)	-	(5.8)
Other investment charges and expenses		(0.8)	(0.7)	-	(0.7)
<b>Other income and charges</b>					
Other income		30.9	22.3	-	22.3
Other charges	5	(34.5)	(31.4)	-	(31.4)
Reversal of impairment of land and buildings	11	0.1	0.1	-	0.1
Revaluation on loss on buildings		(0.5)	-	-	-
Donations		(0.8)	(0.9)	-	(0.9)
Amortisation of goodwill and other intangibles	9, 10	(13.0)	(12.7)	-	(12.7)
<b>Loss on ordinary activities before exceptional items and tax</b>		<b>(9.9)</b>	(11.3)	-	(11.3)
Exceptional items	5	-	(16.1)	-	(16.1)
<b>Loss on ordinary activities before tax</b>		<b>(9.9)</b>	(27.4)	-	(27.4)
Tax on loss on ordinary activities	8	(0.5)	2.9	-	2.9
<b>Loss for the financial year</b>		<b>(10.4)</b>	(24.5)	-	(24.5)
<b>Other comprehensive income</b>					
Valuation gain taken to revaluation reserve	5	0.6	-	-	-
<b>Total comprehensive loss for the financial year</b>		<b>(9.8)</b>	(24.5)	-	(24.5)

The Group has no recognised items of other comprehensive income other than those included above.

The notes on pages 88 to 133 form an integral part of these financial statements.



# Consolidated statement of financial position

As at 31 December 2019

ASSETS		31 December 2019	31 December 2018
	Note	£m	£m
Intangible assets			
Goodwill	9	26.3	38.9
Other intangible assets	10	1.9	2.2
		28.2	41.1
Investments			
Land and buildings	11	6.4	6.3
Other financial investments	13	172.3	177.2
Derivative assets	13	0.9	-
Investment in joint ventures	14	7.0	2.0
Debtors			
Debtors arising out of direct insurance operations		93.0	91.4
Other debtors	16	3.4	1.3
Deferred taxation	18	2.4	4.0
Other assets			
Tangible assets	17	4.8	3.0
Cash and cash equivalents	15	44.4	40.7
Prepayments and accrued income			
Accrued interest		0.8	0.7
Deferred acquisition costs	19	0.8	0.4
Other prepayments and accrued income		2.7	3.3
Total assets		367.1	371.4

The notes on pages 88 to 133 form an integral part of these financial statements.

# Consolidated statement of financial position (continued)

As at 31 December 2019

	Note	31 December 2018 £m	31 December 2017 £m
<b>EQUITY</b>			
Profit and loss account	20	235.2	245.6
Revaluation reserve		0.6	-
<b>LIABILITIES</b>			
<b>Technical provisions</b>			
Provision for unearned premiums	22	81.5	79.1
Provision for claims outstanding	22	16.2	16.5
<b>Creditors</b>			
Derivative liabilities	13	-	1.0
Other creditors	21	22.6	18.9
Accruals and deferred income		11.0	10.3
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>367.1</b>	<b>371.4</b>

These financial statements were approved by the Board of Directors and authorised for issue on 29 May 2020.

Signed on behalf of the Board of Directors



**Romana Abdin,**  
Chief Executive

Simplyhealth Group Limited  
Company number: 05445654

The notes on pages 88 to 133 form an integral part of these financial statements.

# Company statement of financial position

As at 31 December 2019

	Note	31 December 2019 £m	31 December 2018 £m
<b>Fixed assets</b>			
Investments in group undertakings	12	137.2	136.8
<b>Debtors</b>			
Group relief receivable		-	-
Amounts due from group undertakings		-	-
<b>Other assets</b>			
Cash at bank and in hand	15	8.8	4.7
<b>TOTAL ASSETS</b>		<b>146.0</b>	<b>141.5</b>
<b>Equity</b>			
Profit and loss account at start of the year		141.4	142.4
Total comprehensive income for the year		-	(1.0)
<b>Profit and loss account</b>	20	<b>141.4</b>	<b>141.4</b>
<b>Liabilities</b>			
<b>Creditors: Amounts falling due within one year</b>			
Amounts due to other group undertakings		4.6	0.1
Other creditors		-	-
Accruals		-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>146.0</b>	<b>141.5</b>

These financial statements were approved by the Board of Directors and authorised for issue on 29 May 2020

Signed on behalf of the Board of Directors



**Romana Abdin,**  
Chief Executive

Simplyhealth Group Limited  
Company number: 05445654

The notes on pages 88 to 133 form an integral part of these financial statements.

## Consolidated statement of changes in equity

As at 31 December 2019

	Revaluation reserve £m	Profit and loss account £m	Total shareholder funds £m
At 1 January 2018	-	270.1	270.1
Total comprehensive loss for the year	-	(24.5)	(24.5)
At 31 December 2018	-	245.6	245.6
At 1 January 2019	-	245.6	245.6
Loss for the year	-	(10.4)	(10.4)
Other comprehensive income for the year	0.6	-	0.6
At 31 January 2019	0.6	235.2	235.8

## Company statement of changes in equity

As at 31 December 2019

	Profit and loss account £m
At 1 January 2018	142.4
Total comprehensive loss for the year	(1.0)
At 31 December 2018	141.4
At 1 January 2019	141.4
Total comprehensive loss for the year	-
At 31 December 2019	141.4

The balance on the profit and loss account for both the Company and the Group comprises total comprehensive income accumulated in prior years.

The notes on pages 88 to 133 form an integral part of these financial statements.

# Consolidated cash flow statement

Year ended 31 December 2019

		31 December 2019	31 December 2018
	Note	£m	£m
<b>Net cash flows from operating activities</b>	23	3.2	(2.0)
<b>Cash flows from investing activities</b>			
Investment in joint ventures net of capital repayments		(5.0)	(0.1)
Purchase of tangible fixed assets		(2.7)	(2.7)
Purchase of intangible assets		(0.2)	(2.8)
Purchase of debt securities and other fixed income securities		(173.7)	(72.7)
Proceeds on disposal of debt and other fixed income securities		183.0	69.9
Settlement of derivative contracts		(0.9)	-
<b>Net cash flows from/(to) investing activities</b>		0.5	(8.4)
<b>Net increase/(decrease) in cash and cash equivalents</b>		3.7	(10.4)
<b>Cash and cash equivalents at beginning of year</b>		40.7	51.1
<b>Cash and cash equivalents at end of year</b>		44.4	40.7
<b>Reconciliation to cash at bank and in hand</b>			
Cash at bank and in hand		44.4	33.6
Cash equivalents		-	7.1
<b>Cash and cash equivalents</b>		44.4	40.7

The notes on pages 88 to 133 form an integral part of these financial statements.

# Notes to the financial statements

Year ended 31 December 2019

## 1. Corporate information

The Company is limited by guarantee and is incorporated in the United Kingdom, registration number 05445654. The address of the registered office is detailed on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

## 2. Accounting policies

The principal accounting policies are summarised below.

### Basis of accounting

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.

The functional currency of the Group and the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a company cash flow statement and remuneration of key management personnel of the Company.

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### 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 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 these financial statements.

### Goodwill

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 through the statement of comprehensive income on a straight-line basis over its expected useful economic life, which the Directors consider to be ten years on current acquisitions. The gain or loss on subsequent disposal of a subsidiary will take account of any attributable, unamortised goodwill, which is derecognised on the disposal of the associated business.

The carrying value of goodwill is assessed at each annual reporting date for any impairment.

### Other intangible assets

#### ***Brands, customer relationships and licences***

Intangible assets are recognised on acquisition of subsidiary undertakings and businesses where the Directors believe that it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost or value of the asset can be measured reliably.

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles through the statement of comprehensive income on a straight-line basis over their expected useful economic life, which the Directors consider to be ten years for intangible assets arising in respect of capitation plans and insurance products.

The carrying values of brands, customer relationships and licenses are assessed at each annual reporting date for any impairment. Post the triennial review of section 19 of FRS102 in 2019 intangible assets arising on business combinations are recognised only when they arise from legal/contractual rights and are also separable from the business.

**Research**

Research expenditure is written off as incurred.

**Computer software and development costs**

Purchased computer software is carried at historical cost less accumulated amortisation and amortised over a useful life of between two and four years, on a straight-line basis. Provision is made for any impairment.

The Directors review internal development expenditure annually. If the Directors are satisfied as to the technical, commercial and financial viability of individual projects internally developed computer software is capitalised as development expenditure. Development expenditure is not capitalised until it is implemented in the live environment at which point it is reclassified as computer software and amortised over a period of seven years.

Development expenditure that does not meet the criteria is expensed as incurred. Development costs previously expensed are not recognised as an asset in a subsequent period.

In cases of staged live implementations, costs relating to the expected benefits of the relevant modules are reclassified from development expenditure to software and amortised over a period of seven years. The carrying value of the asset and its expected future cash flows are assessed annually for impairment.

**Tangible fixed assets**

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, as follows:

**Freehold buildings**

50 years

**Motor vehicles**

4 years

**Computer hardware**

2 to 4 years

**Fixtures, fittings and office equipment**

4 to 10 years

Assets in the course of construction are not depreciated and are reviewed annually for indicators of impairment.

**Revaluation of properties**

Individual freehold properties are revalued to fair value every year. Where the fair value of an individual property exceeds historical cost, the surplus is credited to a revaluation reserve and recognised as other comprehensive income. If a deficit is identified which exceeds a previously recognised surplus relating to the same property, this deficit is charged to the statement of comprehensive income within the non-technical account. A reversal of such a deficit is credited to the statement of comprehensive income within the non-technical account.

## Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### *(i) Financial assets and liabilities*

All financial assets and liabilities, including debtors and creditors receivable or payable within one year with no stated interest rate, are initially measured at transaction price (including transaction costs), except for those financial assets classified as 'at fair value through profit or loss', which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Derivative financial instruments are measured at fair value through profit or loss.

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments due in more than one year, other than those designated at fair value through profit or loss as part of the Group's trading portfolio, are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### *(ii) Investments*

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or where their fair value is reliably measurable) are measured at fair value through profit or loss.

Investments in debt securities and collective investment schemes held by the Group as part of the trading portfolio have been designated by the Group as fair value through profit or loss. This group of instruments is managed and its performance evaluated on a fair value basis in accordance with the Group's investment strategy and information is provided internally on that basis to the Group's key management personnel.

Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries are measured at cost less impairment.

**(iii) Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a discounted cash flow valuation technique.

**(iv) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy of, the Group or counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income as described below.

**Non-financial assets**

If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

**Financial assets**

For financial assets carried at amortised cost, the recoverable amount is determined as the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the recoverable amount is the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

### **Reversal of impairment losses**

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash balances and deposits held at call with banks with 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 the Group or Company. The offsetting liability is included in 'Other creditors' in note 21.

### **Third party funds**

Third party funds 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. The inclusion of these funds on the statement of financial position therefore has no impact on the net assets of the Company or Group.

### **Foreign currencies**

Monetary assets and liabilities held in foreign currencies at the statement of financial position date are expressed in sterling at rates ruling on that date. Income and expenditure denominated in foreign currencies are translated at rates ruling at the date on which the transaction occurs. All resulting exchange gains and losses are included within the non-technical account in the statement of comprehensive income.

### **Premiums**

The Group accounts for its insurance business on a monthly or annual basis depending on the period of cover provided by the contract. Claims are only payable where customers continue to pay premiums. Premiums written relate to business inception in the year, together with any differences between booked premiums for prior years and those previously accrued, and are recognised as written on a receivable basis with an adjustment for any unearned element. Gross premiums are stated net of any Insurance Premium Tax as applicable.

### **Unearned premiums**

Earned premiums represent gross premiums written after adjusting for changes in unearned premiums. The unearned premium provision represents the proportion of premiums written in the financial year that relate to periods of risk in future accounting years. It is calculated separately for each insurance contract and on a pro rata basis. The change in this provision is taken to profit or loss in order that revenue is recognised over the period of risk.

## Investment income

Investment income includes dividends, interest, gains and losses on the realisation of investments and unrealised gains and losses. Income from fixed interest securities together with interest, rents and associated expenses are accounted for in the year in which they accrue. Dividends are included in the statement of comprehensive income when the securities are listed as ex-dividend. Realised gains and losses on investments are calculated as the difference between the net sale proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the statement of financial position date and their original cost or, if they have been previously valued, the valuation at the previous statement of financial position date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

## Other income

Other income is recognised on an accruals basis, net of any value added taxation.

## Unexpired risk provision

An unexpired risk provision is made where necessary to cover any amount by which future claims and related acquisition costs on business in force at the statement of financial position date are expected to exceed the provision for unearned premiums at that same date. The amount provided is determined after considering the individual pattern and profile of specific homogeneous risk groups. Any provision for unexpired risks is included within the 'Technical provisions' in the statement of financial position.

The Group assesses at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

## Pension costs and other employee benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Differences between amounts due in the year and amounts actually paid are shown as either accruals or prepayments in the statement of financial position.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.



## Claims

Claims incurred comprises claims reported and settled during the year or awaiting settlement at the year end, an estimate for claims incurred but not yet paid and an allowance to cover expenses in connection with the settlement of the claims incurred. The provision for outstanding claims at the year end is based on claims experience and current expectations. Any over or under provision is adjusted as part of claims incurred in the following year.

Claims incurred and the provision for outstanding claims include direct, and an allocation of indirect, expenses connected with the settlement of claims. The allocation of indirect expenses is performed in a manner that fairly reflects the running of the business.

The provision for outstanding claims represents an estimate of the ultimate cost of settling all claims (including direct and indirect claims settlement costs) which have occurred up to the statement of financial position date. This includes a provision for claims incurred but not yet paid, the value of which is based on a best estimate plus a provision for adverse development within a range of possible outcomes. These figures are based on the overall claims risk profile as measured by the cost, frequency, deviation from historic trends and sensitivity of claims to market factors and include a fixed level of prudence based on the Group's risk appetite. The basis and calculation of both the estimates and the provision for adverse development are reviewed annually against claims experience.

## Acquisition costs relating to insurance contracts

All costs of acquiring new business together with the associated initial processing costs are accounted for as acquisition costs in the statement of comprehensive income in the year in which they were incurred. Similarly, the costs of monitoring existing business and the general running of the Group are treated as administrative expenses. The commission paid in respect of insurance contracts incurred during a financial year is deferred to the extent that it relates to unearned premiums at the statement of financial position date and is amortised over the period in which the related revenues are earned.

## Taxation

The Group is liable to taxation on its profit or loss on ordinary activities. Current tax is provided for at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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. Timing differences are differences between the Group'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.

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.

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.

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

Deferred tax assets and liabilities are offset only if the Group has 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.

## Investment in joint ventures

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

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

## Leases

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.

## Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group results as exceptional items. These are disclosed separately to provide further understanding on the performance of the Group.

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Claims incurred arising from insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. Management estimates use historical analysis and an extrapolation of current trends to inform claims provisioning, this is then subject to formal management review. A 5.7% deviation in the final outturn would lead to a shortfall in reserves of £1m.

There is uncertainty as to the loss ratio the Group will experience as claims are settled. Key assumptions are based upon anticipated loss ratios, which are based upon historical experience, and updated for expectations of future changes in claims inflation and incidence rates.

There are a number of uncertainties that determine how much the Group will ultimately pay with respect to such contracts. This includes whether a claim event has occurred or not, how much it will ultimately settle for and changes in the business portfolio which affect factors such as the number of claims and their typical settlement costs.

The insurance liabilities recorded on the statement of financial position include a provision for adverse development in addition to the best estimates for future claims. The margin over and above the best estimate is a fixed amount, based upon technical provisions net of reinsurance, and is subject to annual review. Further discussion, including analysis of the sensitivity of profit or loss to changes in the claims loss ratio, is presented in note 22.

### Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Further disclosures and a reconciliation of the movement in carrying value of goodwill and other intangible assets between the current and previous statement of financial position are included within notes 9 and 10.

### Land and buildings

Properties are valued annually 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.

The valuation process requires judgement to be exercised in determining a number of similar properties for which active market prices can be obtained. Further adjustments are then made, if necessary, for any difference in the nature, location or condition of the specific property.

Further disclosures and a reconciliation of the movement in carrying value of land and buildings between the current and previous statement of financial position dates, including revaluations during the year, are included within note 11.

### Recognition of deferred tax assets

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the total tax charge necessarily involves a degree of estimation and judgement in respect of certain items. The final outcome of some of these items may give rise to material profit and loss and/or cash flow variances.

A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable profits of the business and applying an appropriate risk adjustment factor where necessary, such as limiting the forecast income period.

At the balance sheet date the Board has reviewed the Company's Business Plans for the next five years and has forecast that the Group would generate future taxable profits against which existing fixed asset timing differences could be relieved. As a result the Group has recognised a deferred tax asset of £2.4 million (2018: £4.0 million).

### Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market and have no observable market data inputs is determined by using valuation techniques. The carrying value of these instruments is £1.2m (2018: £0.6m).

The group uses its judgement to select methods and make assumptions for the valuation of these instruments such as the use of discounted cash flow models with inputs that are derived from the yield and duration of specific bonds rather than observable market data. See note 4 for discussion of the related risks.

### Investments in joint ventures

On 22 November 2019, the Company purchased the second 50% of Mapplewell Dental Centre LLP for £0.3m. This investment is being held with the view of subsequent resale and as such is held separately from the other joint venture investments. The second 50% is held within other financial investments (note 13).

## 4. Financial risk and capital management

The Group is exposed to financial risk through its financial assets and insurance liabilities.

The most important components of financial risk are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk.

There have been no significant changes from the prior period in the nature of the financial risks to which the Group is exposed. The Group's objectives and policies for managing these risks and the methods used to measure risk exposure are consistent with those adopted during the prior period.

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

The Group 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 Group's derivatives.

The Group 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.

## a) Categories of financial assets and liabilities

Group At 31 December 2019	Held at fair value £m	Held at amortised cost £m	Total £m
Cash at bank and in hand	-	44.4	44.4
Cash equivalents	-	-	-
Other financial investments	172.3	-	172.3
Derivative assets	0.9	-	0.9
Other financial assets	-	96.8	96.8
Other financial liabilities	-	(43.5)	(43.5)
	173.2	97.7	270.9

Group At 31 December 2018	Held at fair value £m	Held at amortised cost £m	Total £m
Cash at bank and in hand	-	33.6	33.6
Cash equivalents	7.1	-	7.1
Other financial investments	177.2	-	177.2
Derivative assets	(1.0)	-	(1.0)
Other financial assets	-	92.6	92.6
Other financial liabilities	-	(39.3)	(39.3)
	183.3	86.9	270.2



## b) Measurement of fair value

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 the Group 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 Group's financial assets and liabilities that are held at fair value according to the above hierarchy:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>At 31 December 2019</b>				
Debt securities	-	171.1	0.5	171.6
Unlisted investments	-	-	0.7	0.7
<b>Financial Assets held at fair value</b>	<b>-</b>	<b>171.1</b>	<b>1.2</b>	<b>172.3</b>
Derivative Assets	0.1	0.8	-	0.9
<b>At 31 December 2018</b>				
Debt securities	-	109.2	0.6	109.8
Collective investment schemes	-	67.4	-	67.4
Cash equivalents	-	7.1	-	7.1
<b>Financial Assets held at fair value</b>	<b>-</b>	<b>183.7</b>	<b>0.6</b>	<b>184.3</b>
Derivative Assets	-	(1.0)	-	(1.0)

The valuation of the debt security included in level 3 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, together with £0.7m unlisted investments held at historical cost.

### c) Credit risk

The Group has exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Group by failing to discharge an obligation, from the following areas:

- cash deposits held with banks;
- 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.

The carrying value of its financial assets best represents the Group's maximum exposure to credit risk. The Group's risk policies limit the maximum exposure to credit risk outside of UK Government and with any single counterparty to £45m.

#### *Debtors arising out of direct insurance operations*

Debtors arising out of direct insurance operations comprise premiums due from policyholders and they comprise the Group's most significant exposure to credit risk. An allowance for doubtful debts is maintained and regularly monitored as part of the Group's internal financial reporting process. The maturity of premium debtors, net of allowances for doubtful debts, is as follows:

Days past due	Premium debtors not yet due £m	0-30 days overdue £m	30-60 days overdue £m	60-90 days overdue £m	Over 90 days overdue £m	Total £m
<b>Amount outstanding</b>						
As at 31 December 2019	90.6	1.7	0.3	0.3	0.1	93.0
As at 31 December 2018	86.0	3.0	1.1	1.2	0.1	91.4

Premium debtors are stated net of a provision for doubtful debts of £0.5m (2018: £0.5m).

At 31 December 2019 there are impaired amounts due from insurance policyholders of £0.3m (2018: £0.3m). Where contractual payments are in arrears for more than three months the relevant assets are classified as past due and impaired.

**Financial investments**

The credit risk exposure from financial investments and cash deposits is managed by monitoring credit ratings assigned to counterparties by international credit rating agencies.

The Group manages its direct investment holdings by placing the following limits on the credit ratings of its investment counterparties with the appointed investment managers through the Investment Management Agreement:

- Maximum limit of BBB-rated securities 30%
- Maximum limit of A-rated securities 65%
- Securities below the limit of BBB are not rated
- The balance of the portfolio is represented by cash held by our investment custodians
- No investment is allowed in unrated bonds
- If a bond is downgraded to below investment grade, it would normally be sold within 6 months.

The limits set out in the Investment Management Agreement were adhered to throughout the period.

The collective investment schemes do not have a credit rating

**Derivative financial instruments**

The Investment Manager has a credit risk policy that governs the assessment of credit risk and the process for selection of derivative counterparties. The Company maintains strict control on open derivative positions by amount and term. The use of International Swaps and Derivatives Association Master Agreements allows for close-out netting to reduce pre-settlement credit risk and provide a right of set-off upon the event of default. Additionally, where material, collateral may be received or pledged to reduce the level of credit risk in derivative contracts.

**Other financial assets**

The carrying amount of policyholder debtors and other financial assets represents the Group's maximum exposure to credit risk. The amounts presented in the statement of financial position are net of allowances for doubtful receivables.

Cash balances are regularly reviewed to identify the quality of the counterparty banks and to monitor and limit concentrations of risk. 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. The debt investments portfolio consists of a range of fixed interest instruments including government securities and corporate bonds, preference shares and other interest-bearing securities.

**Financial assets bearing credit risk**

The financial assets bearing credit risk are summarised below, together with an analysis by credit rating. The maximum exposure that the Company has to credit risk at the balance sheet date is the carrying value of the assets shown below.

	2019 £m	2018 £m
<b>Category of asset</b>		
Debt securities	171.6	109.8
Unlisted investments	0.7	-
Collective investment schemes	-	67.4
Cash equivalents	-	7.1
Derivative financial instruments	0.9	-
Debtors arising out of direct insurance operations	93.0	91.4
Other debtors	3.0	0.5
Cash at bank	44.4	33.6
Accrued interest	0.8	0.7
	<b>314.4</b>	<b>310.5</b>
<b>Analysis by credit rating</b>		
AAA	47.9	37.1
AA	63.8	63.6
A	63.7	74.0
BBB	41.8	32.7
Below BBB or not rated	97.2	103.1
	<b>314.4</b>	<b>310.5</b>

#### d) Liquidity risk

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 from claims arising from insurance contracts and to settle its financial liabilities. 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's risk policies are designed to manage the risks associated with asset and liability matching.

**The following table shows the maturity profile of the Group's primary financial liabilities at the undiscounted amounts of their contracted future cash flows:**

	31 December 2019 £m	31 December 2018 £m
<b>Provision for outstanding claims</b>		
Within one year	14.4	15.0
Between one and five years	1.5	1.2
After more than five years	0.3	0.3
	<b>16.2</b>	<b>16.5</b>

At 31 December 2019 the Group held cash and cash equivalent balances totalling £44.4m (2018: £40.7m).

All of the Group's other financial liabilities, which comprise accruals, trade and other creditors total £27.3m (2018: £22.8m) and are payable within one year.

Information about the expected timing of the net cash outflows resulting from recognised insurance liabilities is given in note 22.

### e) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group has potential material exposure to four types of market risk: interest rate risk, equity price risk, currency risk and credit risk.

The exposure to interest rate risk arises primarily from valuation movements on financial investments that are measured at fair value and have fixed interest rates. 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 Risk and Capital Committee oversees the management of all investments, including cash balances, of the Group. The Committee meets quarterly to discuss and provide challenge to the decisions of management and of the investment manager appointed by the Board. External advisors are consulted to provide both investment and actuarial advice to support the Committee in setting the investment policy and strategy and to supplement the internal resource in challenging the investment manager's advice.

The Group's exposure to currency risk arises from the investment portfolio, with some purchased investments denominated in currencies other than sterling. This risk is managed through the use of foreign exchange forward contracts and diversification of currency exposures.

The Group's exposure to credit risk arises from potential changes in the risk profile of investment counterparties leading to increased risk of defaults. The management of this risk is further explained in note 4 (c).



The Group's only exposure to market risk is through its financial investment portfolio. The value of other financial investments and cash equivalents at 31 December 2019 is £173.2m (2018: £183.3m). The stress tests applied are weighted to reflect the value of the portfolio that is exposed to each variable.

**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 equity	
		2019 £m	2018 £m
Interest rate risk	-50 basis points	1.1	1.1
	+200 basis points	(4.1)	(4.1)
Equity price risk	+10%	-	1.7
	-10%	-	(1.7)
Currency risk	+15%	0.2	(0.9)
	-15%	(0.1)	0.9
Credit risk	-50 basis points	(0.4)	1.1
	+50 basis points	0.3	(1.1)

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

- 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.

The change in loss is stated after tax at the standard rate applicable to the Group.

In 2019 we took the decision to de-risk the investment portfolio, and realise our prior period gains, this was done by removing equity risk from the portfolio. While not immune to risk and falls in value we have been protected from the worldwide fall in equity markets during 2020. The portfolio value as at 20 May 2020 was £173.4m.

## f) Capital risk management

The Group's capital comprises profits accumulated in prior years. It 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.

### **Capital Management Policy**

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, addressing:

- The assessment of the optimal overall capital balance required to support appropriate financial strength and flexibility, with reference to the Group's risk appetite, regulatory requirements and the reasonable expectations of stakeholders including customers and suppliers.
- The allocation of capital within the organisation to ensure that legal entities, and the Group, hold adequate capital for the effective operation of their businesses.
- The rationing of capital to investment opportunities with the aim of delivering on Simplyhealth's long-term goals, growing the capital base and diversifying the risk profile of the Group's invested capital.

### **Capital Management Principles**

The Capital Management Policy exists to provide guidance and governance over the holding and investment of the Group's overall capital.

The Group is required to maintain a solvency capital position in accordance with the Solvency II rules.

Capital headroom is represented by the capital surplus above our regulatory capital requirements, and adjusted for the Group's risk appetite. The risk appetite has been agreed with the Board of Directors and includes a capital buffer in excess of the higher of the Solvency Capital Requirement and the ORSA estimate of capital requirement as set out in the table below.

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.

The Group's capital position is monitored on a regular basis as part of the standard performance reporting and review process and it has complied with the capital adequacy requirements of the Solvency II rules throughout the year.

### Capital Management

The Group operates a single fund in respect of its general insurance business. The table below shows the capital available on a regulatory basis available to meet the regulatory Solvency II capital requirements for its general insurance business, which continues to represent a strong position:

	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
<b>Available capital resources</b>		
<b>UK GAAP net assets</b>	<b>235.8</b>	<b>245.6</b>
<b>Adjustments onto regulatory basis:</b>		
Goodwill	(26.3)	(38.9)
Intangible assets	(1.9)	(2.2)
Deferred acquisition costs	(0.8)	(0.4)
Investment in joint ventures	(6.9)	(1.8)
Adjust technical provisions to Solvency II basis	13.3	18.3
Deferred tax valuation adjustments	(2.1)	(3.2)
<b>Solvency II eligible own funds</b>	<b>211.1</b>	<b>217.4</b>
<b>Solvency II Capital Requirement ('SCR')</b>	<b>47.9</b>	<b>55.8</b>
<b>Capital Surplus</b>	<b>163.2</b>	<b>161.6</b>
<b>Solvency 'Buffer' @ 40% of SCR</b>	<b>(19.2)</b>	<b>(22.3)</b>
<b>Available Capital ('Headroom')</b>	<b>144.0</b>	<b>139.3</b>
<b>Solvency II Capital Multiple</b>	<b>441%</b>	<b>389%</b>

The Group has used the Standard Formula as defined by Solvency II regulations to determine the SCR without undertaking-specific parameters or simplifications.

### Governance arrangements

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.

Revision of key elements of the Capital Management Policy, such as an alteration of the Group's approach to meeting regulatory capital requirements or the composition of its own funds, is subject to approval within this governance structure.

## 5. Net operating expenses and other charges

### Particulars of business

The Group has a single operating segment with one line of business that operates solely within the United Kingdom. Therefore no segmental analysis has been presented.

Technical account – net operating expenses	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
Acquisition costs	7.4	8.7
Change in deferred acquisition costs	(0.4)	(0.1)
Administrative expenses	51.4	48.8
	<b>58.4</b>	<b>57.4</b>

The commission for direct insurance business for 2019 is £2.1m (2018: £1.9m)

The other charges includes the operating expenses of the non-insurance businesses.

The charge in the statement of comprehensive income includes the following:

Non Insurance companies – other charges	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
Administrative expenses	<b>34.5</b>	<b>31.4</b>

Amounts charged as administrative expenses in both the above tables include costs of £10.4m (2018: £9.6m) relating to our Transformation Programme and reorganisation costs of £7.5m (2018: £2.5m).

**Loss on ordinary activities before exceptional items and tax is stated after charging/(crediting):**

		Year ended 31 December 2019	Year ended 31 December 2018
	Note	£m	£m
Depreciation of buildings and tangible assets	11, 17	1.0	0.5
Reversal of impairment of land and buildings	11	(0.1)	(0.1)
Revaluation on loss of buildings		0.5	-
Loss on disposal of intangible assets		0.2	-
Amortisation of intangible assets			
- computer software	10	0.4	1.2
- brands and other intangibles	10	-	0.1
Operating lease rentals			
- motor vehicles		1.0	0.9
- buildings		0.6	0.5
- office		0.1	0.1
Amortisation of goodwill	9, 10	13.0	12.7

Exceptional items	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
Impairment in software development cost	-	16.1
	-	16.1

***Impairment in software development costs***

In accordance with FRS 102 the development costs of this project had been capitalised partly as development costs and partly as computer software within intangible assets on the basis of its future economic value and benefit. The decision to stop development significantly limits the future economic value of this project, which created an impairment loss £16.1m in 2018.

Auditor's remuneration	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
Fees payable to the Company's auditor for :-		
- the audit of the Company's financial statements	0.1	0.1
- audit related assurance service fees	0.1	-
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.3	0.3
<b>Total auditor's remuneration</b>	<b>0.5</b>	<b>0.4</b>

The Group paid audit-related assurance service fees of £60,000 (2018: £39,900).

Fees for the audit of the Company's financial statements of £68,200 (2018: £50,700) were borne by another group company.

## 6. Staff costs

Staff costs comprise the following:	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
Wages and salaries	37.1	39.1
Redundancy costs	7.4	-
Social security costs	4.5	4.3
Other pension costs	5.1	5.0
<b>Total staff costs</b>	<b>54.1</b>	<b>48.4</b>

Redundancy costs of £7.4m were incurred as a result of the restructure that took place during the year with a view to building a sustainable, customer-led organisation.

The average number of employees during the year was as follows:	Year ended 31 December 2019	Year ended 31 December 2018
	No.	No.
Operations	571	701
Finance and other administrative services	572	525
	<b>1,143</b>	<b>1,226</b>

The total remuneration for key management personnel for the period, excluding directors' remuneration which is disclosed separately, totalled £1.2m (2018: £1.4m) and is included within the total staff costs given above.



## 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 Group. All rewards are set by the Remuneration Committee, comprised of Non-Executive Directors of the Board, after comparison with market data received from 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. 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 the overall business objectives for the year and the individual performance and leadership behaviours of the Executive.
- **Long Term Incentive Plan** – the Group is currently running two separate LTIP schemes. A new scheme was implemented on 1 January 2018 and is based on the achievement of business objectives over a seven year period. This new incentive plan was created to drive commercial success over a longer period, incentivising the Executive team to take decisions in the long term interest of the business promoting sustainability, as well as retaining their skills in the absence of a share option scheme.

The 2017 Scheme, which is based on a three year performance period, continues to run alongside the new scheme until it vests at the end of 2019 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 either six or twelve months.

## Pay and benefits in the year

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

	Salary	Bonus	Benefits	Total 2019	Total 2018
	£	£	£	£	£
<b>Executive Directors</b>					
R Abdin	398,119	243,360	125,645	767,124	618,510
B D J Kent	--	-	-	-	420,393
<b>Total</b>	<b>398,119</b>	<b>243,360</b>	<b>125,645</b>	<b>767,124</b>	<b>1,038,903</b>
<b>Non-Executive Directors</b>					
K S Piggott	148,363	-	-	148,363	139,766
G Baldwin	75,800	-	-	75,800	38,675
M A Hall	62,248	-	-	62,248	59,831
R J Harris	60,173	-	-	60,173	65,606
J N Maltby	58,369	-	-	58,369	28,370
A L Pike (resigned 15 February 2019)	6,776	-	-	6,776	47,106
<b>Total</b>	<b>411,729</b>	<b>-</b>	<b>-</b>	<b>411,729</b>	<b>379,354</b>

Total remuneration excludes pension contributions and long-term incentive plans which are shown below.

## LTIP

### Entitlement

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:

	2016 and 2017 Schemes	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 2016 and 2017 Schemes 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
<b>Total</b>	<b>547,171</b>	<b>189,266</b>	<b>77,309</b>	<b>435,214</b>

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
<b>Total</b>	<b>102,608</b>	<b>189,266</b>

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

The movement in the LTIP provision during the year was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Accrued at 1 January	800,212	711,188
Granted during the period	77,309	398,310
Paid in respect of the 2015 scheme	-	(309,286)
Paid in respect of the 2016 scheme	(322,812)	-
Adjustment in respect of the 2016 scheme	(119,495)	-
<b>Accrued at 31 December</b>	<b>435,214</b>	<b>800,212</b>

### Pension contributions

During the current and previous year no payments were made on behalf of the Directors in respect of pension contributions.

The Executive Directors are members of the Money Purchase Group Pension Scheme. They have each opted to receive a cash payment in lieu of further pension contributions. These payments are included in the benefits figures above.

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.

## 7. Income from investments

	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
Income from collective investment schemes	-	0.9
Bank and other interest	2.9	2.5
	2.9	3.4

All income from investments relates to continuing operations.

## 8. Tax on loss on ordinary activities

The Group's tax (credit)/charge for the year is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
United Kingdom corporation tax at 19% (2018: 19%)	-	-
Adjustment in respect of prior years	(1.1)	(0.8)
<b>Total current taxation</b>	<b>(1.1)</b>	<b>(0.8)</b>
Current year deferred taxation	0.5	(2.5)
Adjustment in respect of prior years	1.1	0.4
<b>Total deferred taxation</b>	<b>1.6</b>	<b>(2.1)</b>
<b>Tax on loss on ordinary activities</b>	<b>0.5</b>	<b>(2.9)</b>

The corporation tax charge for the year is higher than the standard rate of corporation tax in the UK at 19% (2018: credit is lower) on the accounting loss as shown below:

	Year ended 31 December 2019	Year ended 31 December 2018
	£m	£m
<b>Loss on ordinary activities before taxation</b>	<b>(9.9)</b>	<b>(27.4)</b>
Tax credit on loss at UK rate of 19% (2018: 19%)	(1.9)	(5.2)
Expenses not deductible for tax purposes	2.6	2.7
Relief for research and development costs	-	(0.2)
Deferred tax asset not recognised	(0.2)	0.1
Adjustments in respect of prior years	-	(0.4)
Effect of change in tax rates	-	0.1
<b>Tax charge / (credit) on loss on ordinary activities</b>	<b>0.5</b>	<b>(2.9)</b>

## 9. Goodwill

Group	Goodwill
	£m
<b>Cost:</b>	
At 1 January 2019	126.6
<b>At 31 December 2019</b>	<b>126.6</b>
<b>Accumulated amortisation and impairment:</b>	
At 1 January 2019	87.7
Amortisation for year	12.6
<b>At 31 December 2019</b>	<b>100.3</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>26.3</b>
At 31 December 2018	38.9

## 10. Other intangible assets

Group	Development costs £m	Computer software £m	Brands and other intangibles £m	Total £m
<b>Cost:</b>				
At 1 January 2019	11.9	21.9	1.8	35.6
Additions	-	0.2	-	0.2
Disposals	-	(0.4)	-	(0.4)
Transfer	(11.9)	11.9	-	-
<b>At 31 December 2019</b>	<b>-</b>	<b>33.6</b>	<b>1.8</b>	<b>35.4</b>
<b>Accumulated amortisation and impairment:</b>				
At 1 January 2019	11.9	20.6	0.9	33.4
Amortisation for the year	-	0.4	-	0.4
Eliminated on disposal	-	(0.3)	-	(0.3)
Transfer	(11.9)	11.9	-	-
<b>At 31 December 2019</b>	<b>-</b>	<b>32.6</b>	<b>0.9</b>	<b>33.5</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>-</b>	<b>1.0</b>	<b>0.9</b>	<b>1.9</b>
<b>At 31 December 2018</b>	<b>-</b>	<b>1.3</b>	<b>0.9</b>	<b>2.2</b>



## 11. Land and buildings

Group	Freehold land	Freehold buildings	Total
	£m	£m	£m
<b>Valuation</b>			
At 1 January 2019	1.2	5.1	6.3
Revaluation gain/(loss)	0.6	(0.5)	0.1
<b>At 31 December 2019</b>	<b>1.8</b>	<b>4.6</b>	<b>6.4</b>
<b>Accumulated depreciation</b>			
At 1 January 2019	-	-	-
Charge for year	-	(0.1)	(0.1)
Reversal of prior year impairment	-	0.1	0.1
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>1.8</b>	<b>4.6</b>	<b>6.4</b>
At 31 December 2018	1.2	5.1	6.3

The reversal of the prior year impairment is due to the revaluation of the freehold buildings to reflect the latest advice provided by the Group's surveyors, Colliers International UK plc, in December 2019.

The freehold and investment properties of the Group were professionally valued in accordance with the RICS Appraisal and Valuation Manual at 31 December 2019 by Colliers International UK plc, an independent external valuer.

If freehold land and buildings had not been revalued, they would have been included in the financial statements at the following amounts:

	31 December 2019		31 December 2018	
	Freehold land	Freehold buildings	Freehold land	Freehold buildings
	£m	£m	£m	£m
Cost	1.2	11.8	1.2	11.8
Accumulated depreciation	-	(5.2)	-	(4.9)
<b>Historical cost value</b>	<b>1.2</b>	<b>6.6</b>	<b>1.2</b>	<b>6.9</b>

## 12. Fixed asset investments

Company Investment in subsidiary undertakings	£m
<b>Cost</b>	
At 1 January 2019	151.3
Additions	0.4
<b>At 31 December 2019</b>	<b>151.7</b>
<b>Impairment</b>	
At 1 January 2019 / 31 December 2019	14.5
<b>At 31 December 2019</b>	<b>14.5</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>137.2</b>
At 31 December 2018	136.8

The details of investments in the subsidiary undertakings held by the Company as at 31 December 2019 are as follows:

Name of company	Principal activity	Class and percentage of shares held
Simplyhealth Holdings Limited *	Non-trading	Ordinary shares 100%
Simplyhealth People Limited *	Provision of people for Group activities	Ordinary shares 100%
Simplyhealth Wellbeing Limited *	Non-trading	Ordinary shares 100%
Simplyhealth Nominees Limited *	Non-trading	Ordinary shares 100%
Denplan Limited *	Provision of dental scheme administration	Ordinary shares 100%
Simplyhealth Guidance Limited *	Non-trading	Ordinary shares 100%
Simplyhealth Access	Provision of insurance services	Ordinary shares 100%
Leeds Hospital Fund	Non-trading	Ordinary shares 100%
Simplyhealth Limited	Non-trading	Ordinary shares 100%
Simplyhealth Funding Services Limited	Arrangement of loans to dental practices	Ordinary shares 100%
Simplyhealth Business Services Limited	Non-trading	Ordinary shares 100%
Totally Active Limited	Non-trading	Ordinary shares 100%
Care and Mobility (Midlands) Limited	Non-trading	Ordinary shares 100%
Care and Mobility (UK) Limited	Non-trading	Ordinary shares 100%
Animal Health Care Company Limited	Provision of administration for veterinary pet health plans	Ordinary shares 100%
Simplyhealth Partnerships Limited	Provision of investment in joint ventures in dental practices	Ordinary shares 100%

All companies listed above are registered in England & Wales.

\* Directly held by Simplyhealth Group Limited.

All other investments are held through 100% controlled subsidiaries.

### 13. Other financial investments and derivatives

Financial assets	31 December 2019		31 December 2018	
	Fair value	Cost	Fair value	Cost
	£m	£m	£m	£m
Debt and other fixed income securities	171.6	172.8	109.8	110.2
Collective investment schemes	-	-	67.4	66.6
Derivative assets	0.9	-	-	-
Unlisted investments	0.7	0.7	-	-
	173.2	173.5	177.2	176.8
<b>Financial liabilities</b>				
Derivative liabilities	-	-	(1.0)	-

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

#### Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of fixed interest futures and foreign exchange forward contracts are based on market prices.

Fixed interest futures are exchange traded and currency forward contracts are traded over the counter. Both have been classified as Level 2.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. 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'.

Derivatives	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Foreign exchange forwards	0.8	-	-	(1.0)
Fixed interest futures	0.1	-	-	-
	0.9	-	-	(1.0)

## Offsetting

The Group does not offset financial assets and liabilities in the statement of financial position unless there is a legally enforceable right to offset and the Group has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

Except for fixed interest futures and foreign exchange forward agreements, the Group has no financial assets and financial liabilities that have been offset in the statement of financial position as at 31 December 2019 (2018: *£nil*).

## 14. Investment in joint ventures

### Equity accounted investments

Equity accounted investments comprise of joint ventures over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group also has the right to its share of the net assets.

Joint ventures are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The carrying value of the investment is adjusted for the Group's share of any post acquisition profits or losses of the associated entity.

If the Group's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest (including any long term interests that, in substance, form part of the Group's net investment), is reduced to nil. In addition, the recognition of further losses is discontinued except to the extent that the Group has an obligation to make payments on behalf of the equity accounted investment.

### Joint Ventures

During the year the group increased its investment in joint ventures by £5.0m by adding another six dental practices in accordance with group strategy. The carrying amount of equity accounted for investments is £7.0m (2018: £2.0m). All investments are included on a coterminous basis.

The Group's equity accounted joint ventures are categorised as follows

	Number of businesses	Business activity	Principally operates in	Country of incorporation
Limited Liability Partnerships	7	Dental	UK	UK
Private Limited Companies	4	Dental	UK	UK

The tables below provide summarised financial information for the joint ventures. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures, and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Limited Liability Partnerships		Private Limited Companies	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	£m	£m	£m	£m
Revenue	4.9	3.0	2.8	-
Cash and cash equivalents	0.7	0.5	0.7	-
Other current assets	0.1	0.1	0.3	-
Current assets	0.8	0.6	1.0	-
Non-current assets	5.7	3.4	1.2	-
Current liabilities	(0.2)	(0.1)	(0.7)	-
<b>Net assets</b>	<b>6.3</b>	<b>3.9</b>	<b>1.5</b>	<b>-</b>

### Reconciliation to carrying amounts

	Limited Liability Partnerships		Private Limited Companies	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	£m	£m	£m	£m
Opening net assets	3.9	3.6	-	-
Assets acquired	2.8	0.6	1.2	-
Profit for the period	0.3	0.2	0.3	-
Profit share payments	(0.7)	(0.5)	-	-
Other reserve movements	-	-	-	-
<b>Closing net assets</b>	<b>6.3</b>	<b>3.9</b>	<b>1.5</b>	<b>-</b>
Percentage ownership	50%	50%	50%	-
Reporting entity's share	3.1	1.9	0.7	-
Fair value adjustment and local accounting differences	0.5	0.1	2.7	-
<b>Carrying amount</b>	<b>3.6</b>	<b>2.0</b>	<b>3.4</b>	<b>-</b>
Reporting entity's share of profit	0.2	0.1	0.2	-

During the year Simplyhealth Partnerships Limited made investments in six (2018: four) joint ventures which hold and operate the activities, assets and liabilities of a dental practice. Each joint venture has been established as a Limited Liability Partnership in which the Company holds a 50% interest and the other investor holds the remaining 50%, or by the Company acquiring 50% of an existing Limited Company. No individual investor has control over any of the joint venture.

On 22 November 2019, the Company purchased the second 50% of Mapplewell Dental Centre LLP for £0.3m. This investment is being held with the view of subsequent resale and as such is held separately from the other joint venture investments. The second 50% is held within Other Financial Investments (note 13).

No provision for impairment has been made in relation to investments in joint ventures. (2018: *£nil*).

## 15. Cash and cash equivalents

Group	31 December 2019	31 December 2018
	£m	£m
Cash at bank	35.3	25.1
Cash equivalents	-	7.1
Third party funds held under trust	9.1	8.5
	<b>44.4</b>	<b>40.7</b>

The Company's cash balance at 31 December 2019 was £8.8m (2018: £4.7m).

The Group administers a number of trust and client accounts under agreements between the Company and dentists and vets in accordance with the declaration of trust for each account. The accounts are used to manage cash collected by the Company from patients and pet owners for onward payment to dental and vet practices. No right of set-off exists between the trust accounts and any other bank accounts of the Company.

Total balances held in the trust accounts at 31 December 2019 amounting to £9.1m (2018: £8.5m) were included in the cash at bank and in hand on the Company's statement of financial position with an offsetting liability included in "Other Creditors" (note 21).

Simplyhealth Group Limited has provided a financial guarantee on behalf of its subsidiary, The Animal Healthcare Company Ltd (AHC), to remit to clients, funds held in client accounts should AHC fail to remit those funds in accordance with the agreed schedule. Simplyhealth Group Limited will recognise the value of any funds meeting this criteria at the balance sheet date.

As the liability is restricted to funds received but not yet remitted, no additional recognition or disclosure is required.

At 31st December 2019, the value of the liability recognised is *£nil*.

## 16. Other debtors

Group	31 December 2019	31 December 2018
Amounts falling due within one year:	£m	£m
Non insurance trade debtors	3.0	0.5
Corporation tax	0.4	0.8
	<b>3.4</b>	<b>1.3</b>

## 17. Tangible assets

Group	Computers & office equipment	Leasehold improvements, fixtures and fittings	Total
	£m	£m	£m
<b>Cost:</b>			
At 1 January 2019	5.6	3.0	8.6
Additions	1.3	1.4	2.7
<b>At 31 December 2019</b>	<b>6.9</b>	<b>4.4</b>	<b>11.3</b>
<b>Accumulated depreciation and impairment:</b>			
At 1 January 2019	3.9	1.7	5.6
Charge for the year	0.6	0.3	0.9
<b>At 31 December 2019</b>	<b>4.5</b>	<b>2.0</b>	<b>6.5</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>2.4</b>	<b>2.4</b>	<b>4.8</b>
At 31 December 2018	1.7	1.3	3.0

On 1 January 2020 all Tangible Assets were transferred to Simplyhealth People Limited



## 18. Deferred taxation

The Group's deferred tax assets calculated in accordance with FRS 102 were as follows:

	31 December 2019	31 December 2018
	£m	£m
Asset relating to timing differences on fixed assets	2.1	3.3
Asset relating to short term timing difference	0.3	0.1
Asset relating to losses and other deductions	-	0.6
	<b>2.4</b>	<b>4.0</b>

The movement in the Group's deferred tax asset during the year was as follows:

	31 December 2019	31 December 2018
	£m	£m
<b>At 1 January</b>	<b>4.0</b>	<b>1.9</b>
Deferred tax adjustment in respect of prior periods	(1.1)	(0.4)
Current year deferred tax	(0.5)	2.5
<b>At 31 December</b>	<b>2.4</b>	<b>4.0</b>

## 19. Deferred Acquisition Costs

	31 December 2019		31 December 2018	
	Gross provision	Reinsurers' Share	Gross provision	Reinsurers' Share
	£m	£m	£m	£m
At 1 January	0.4	-	0.3	-
Additional costs incurred	7.4	-	8.7	-
Amortisation through statement of comprehensive income	(7.0)	-	(8.6)	-
<b>At 31 December</b>	<b>0.8</b>	<b>-</b>	<b>0.4</b>	<b>-</b>

## 20. Capital and reserves

### Group

Group capital consists only of accumulated profits as the Group has no issued share capital. Accumulated retained profits at 31 December 2019 were £235.2m (2018: £245.6m).

### Company

The Company's capital consists only of accumulated profits as it has no issued share capital. Total reserves at 31 December 2019 were £141.4m (2018: £141.4m).

The Company has taken advantage of Section 408 of the Companies Act 2006 and consequently a statement of comprehensive income for the parent company alone is not presented. The profit on ordinary activities after taxation for the financial year dealt within the accounts of the parent company is £9k (2018: loss of £1.0m).

## 21. Other creditors

Amounts falling due within one year:	31 December 2019	31 December 2018
	£m	£m
Trade creditors	0.5	0.7
Third party funds	9.1	8.5
Insurance premium tax	6.3	6.4
Other creditors	6.7	3.3
	<b>22.6</b>	<b>18.9</b>

## 22. Technical provisions

	Provision for Unearned Premiums		Provision for Outstanding Claims	
	Gross provision	Reinsurers' Share	Gross provision	Reinsurers' Share
	£m	£m	£m	£m
At 1 January 2019	79.1	-	16.5	-
Movement in provision	2.4	-	(0.3)	-
<b>At 31 December 2019</b>	<b>81.5</b>	<b>-</b>	<b>16.2</b>	<b>-</b>

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

The Group applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts. A formal policy for managing insurance risk is in place and is overseen by the Risk and Capital Committee.

### Gross provisions

The lines of risk underwritten by the Group are restricted to health insurance in which the Group has substantial experience. Where the Group wishes to enter into new lines this is done using a controlled approach in order to manage the risk associated with new areas of business. The Group's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of the accounting period, plus an amount in respect of claims incurred but not yet reported. Trends in claim rates and other market data are reviewed on a regular basis and premiums for new contracts adjusted accordingly. Each class of contract has a large population of homogeneous policyholders, and no insurance contracts are subject to concentration risk as

policyholders are based throughout the UK. No one client represents more than 10% of total turnover. Therefore, no insurance contracts are deemed subject to concentration risk.

The Directors have assessed that a deterioration of 5% is the highest reasonably possible change in the loss ratio. Such a deterioration in the loss ratio of the health plan book during the year would have resulted in an increase in loss before tax of £10.6m (2018: £11.4m) and a reduction in equity of £8.6m (2018: £9.2m). The latter represents 3.7% (2018: 3.8%) of the Group's capital. The Group's claims loss ratio has been disclosed in the Strategic Report as a key performance indicator.

Uncertainty about the amount and timing of claims payments is typically resolved within one year. Consequently, disclosure about claims development is not presented as this information is not considered relevant to the evaluation of the nature and extent of risks arising from insurance contracts.

**Insurance contract maturities**

The net cash outflows resulting from recognised insurance liabilities have the following estimated maturities:

- Unearned premium reserves are estimated to result in cash flows arising within 12 months of the year end date; and
- For outstanding claims provisions, including the provision for claims incurred but not reported, approximately 89.1% (2018: 90.9%) of the provision is expected to crystallise as cash outflows and inflows respectively within 12 months of the year end date. The remaining cash flows, representing an immaterial amount of these provisions, are expected to be settled within the subsequent 12 months.

Due to the short-term claims nature of our products, we do not include an annualised claims triangle in our report.

**Assumptions**

The Group follows a process of reviewing its reserves for outstanding claims on a monthly basis. This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted on each portfolio is subject to an internal peer review, further review by external actuarial specialists and a management sign-off process.

The most significant assumptions in determining the net insurance reserves are the forecast monthly claims loss ratios by homogeneous risk group, and the extent to which reinsurers will share in the cost.

**Changes in assumptions**

There have been no significant changes in assumptions during the year.

## 23. Notes to the cash flow statement

Reconciliation of loss on ordinary activities before tax to net cash flows from operating activities	31 December 2019	31 December 2018
	£m	£m
Loss on ordinary activities before tax and exceptional items	(9.3)	(11.3)
Adjustments for:		
Reversal of impairment of land and buildings	-	(0.1)
Realised and unrealised loss/(profit) on investments	(5.6)	7.1
Increase in insurance technical provisions	2.1	20.3
Loss on disposal of tangible assets	-	0.1
Depreciation	1.0	0.5
Amortisation of intangible assets	-	1.3
Amortisation of goodwill	13.0	12.7
Operating cash flow before movement in working capital	1.2	30.6
Increase in debtors	(3.6)	(21.8)
Decrease in creditors	4.4	(10.0)
Cash generated by operations	2.0	(1.2)
Taxation received / (paid)	1.2	(0.8)
Net cash flows from operating activities	3.2	(2.0)

## 24. Financial commitments

### (a) Capital commitments

Group	31 December 2019	31 December 2018
	£m	£m
Authorised and contracted for by the Board of Directors	0.1	0.5

Financial commitments to capital expenditure primarily relate to refurbishment of buildings.

### (b) Other financial commitments

Group	31 December 2019	31 December 2018
	£m	£m
<b>Sponsorship</b>		
Authorised and contracted for by the Board of Directors	2.6	3.1

### (c) Leasing

The Group has the following future minimum lease payments under non-cancellable operating leases:

	31 December 2019	31 December 2018
Operating leases which expire:	£m	£m
- within one year	1.0	1.0
- between one and five years	2.3	2.7
- in more than five years	1.0	1.1
	4.3	4.8

## 25. Related party transactions

Gil Baldwin had a related party interest with Alcuris as a company director. Simplyhealth Group has invested in Alcuris for the sum of £400,000 via a non-controlling interest share purchase agreement. Approval for the investment was made independently of Gil Baldwin, he did not present the case for investing and was not present at the decision point which was made independently by the Simplyhealth Group Board. Upon taking the role as Chairman of Simplyhealth, Gil Baldwin has resigned as a director of Alcuris with effect from 30 January 2020.

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 in the management of Simplyhealth Group Limited as required by the Articles of Association. The Directors hold no equity interest in the Company.

The Company has taken advantage of the exemption in FRS 102 not to disclose details of transactions with:

- Simplyhealth Group Limited and its subsidiary undertakings, 100% of whose voting rights are controlled within the group, that are included in the consolidated financial statements of Simplyhealth Group Limited; and
- Key management personnel.

There were no other related party transactions during the year.

## 26. Post balance sheet event

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.



